

Brazos Valley Food Bank, Inc.
Financial Statements
For the Year Ended December 31, 2010



Ingram, Wallis & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Brazos Valley Food Bank, Inc.
Bryan, TX

We have audited the accompanying statements of financial position of Brazos Valley Food Bank, Inc. (a nonprofit organization) as of December 30, 2010, and the related statement of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Brazos Valley Food Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Brazos Valley Food Bank, Inc. as of December 31, 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Ingram, Wallis & Company

Bryan, Texas
June 28, 2011

James D. Ingram, III | Thomas A. Wallis | James D. Ingram, IV | Richard L. Webb
Melissa M. Suehs • Diana K. Wagner • Rosanne P. Ely • Teja T. Ruiz • Stephanie N. Sanford

BRAZOS VALLEY FOOD BANK, INC.
Statement of Financial Position
December 31, 2010

Assets

Current Assets

Cash	\$ 603,269
Certificate of deposit	13,522
Promises to give	6,220
Shared maintenance receivable	44,472
Grant Receivable	5,237
Inventory	963,525
Prepaid expenses	<u>9,478</u>

Total current assets 1,645,723

Property & equipment

Land	68,000
Construction in progress	11,314
Furniture and equipment	226,194
Vehicle	72,451
Buildings and improvements	528,999
Accumulated depreciation	<u>(330,656)</u>

Net Property and Equipment 576,302

Permanently restricted certificate of deposit 67,000

Total Assets \$ 2,289,025

Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued expenses	\$ 40,481
Current obligations under capital leases	<u>1,792</u>

Total Current Liabilities 42,273

Noncurrent Liabilities

Obligations under capital leases less current obligations	<u>3,637</u>
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Total Noncurrent Liabilities 3,637

See independent auditors' report and notes to financial statements.

BRAZOS VALLEY FOOD BANK, INC.
Statement of Financial Position - Continued
December 31, 2010

Net Assets	
Unrestricted	2,023,165
Temporarily restricted	127,950
Permanently restricted	<u>92,000</u>
Total Net Assets	<u>2,243,115</u>
Total Liabilities and Net Assets	<u>\$ 2,289,025</u>

See independent auditors' report and notes to financial statements.

BRAZOS VALLEY FOOD BANK, INC.
Statement of Activities
For the Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and Other Support:				
Contributions				
Donations	\$ 125,436	\$ 41,498	\$ -	\$ 166,934
Foundations and Trusts	8,000	69,860	-	77,860
Special events	253,038	-	-	253,038
Grants				
United Way	58,930	-	-	58,930
City of Bryan	-	25,000	-	25,000
Federal Emergency Management Agency	-	2,668	-	2,668
Texas Food Bank Network	-	104,598	-	104,598
Beaumont Foundation of America	-	30,000	-	30,000
Interest income and other	3,437	-	-	3,437
Donated assets, food and services	6,100,450	-	-	6,100,450
Donated Land	-	68,000	-	68,000
Shared maintenance fees	290,799	-	-	290,799
Amount released from temporarily restricted to unrestricted net assets	<u>213,674</u>	<u>(213,674)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>7,053,764</u>	<u>127,950</u>	<u>-</u>	<u>7,181,714</u>
Expenses:				
Program services	6,782,269	-	-	6,782,269
Management and general	128,941	-	-	128,941
Fundraising	<u>77,393</u>	<u>-</u>	<u>-</u>	<u>77,393</u>
Total expenses	<u>6,988,603</u>	<u>-</u>	<u>-</u>	<u>6,988,603</u>
Change in net assets	65,161	127,950	-	193,111
Net assets at beginning of year	<u>1,958,004</u>	<u>-</u>	<u>92,000</u>	<u>2,050,004</u>
Net assets at end of year	<u>\$ 2,023,165</u>	<u>\$ 127,950</u>	<u>\$ 92,000</u>	<u>\$ 2,243,115</u>

See independent auditors' report and notes to financial statements.

BRAZOS VALLEY FOOD BANK, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2010

	<u>Program</u>	<u>Support</u>	<u>Fundraising</u>	<u>Total</u>
Appreciation	\$ 7,152	\$ 3,598	\$ 547	\$ 11,297
Agency training	21	-	-	21
Communications	2,602	846	488	3,936
Depreciation	-	40,107	-	40,107
Dues	5,937	557	138	6,632
Distributed Food	5,988,905	-	-	5,988,905
Food Purchased	363,767	-	2,744	366,511
Insurance	2,233	7,294	-	9,527
Occupancy	22,909	2,898	-	25,807
Other	1,105	6,340	1,358	8,803
Personnel	294,483	54,616	28,972	378,071
Postage and delivery	1,762	291	3,950	6,003
Printing and publications	9,413	1,788	27,607	38,808
Professional development	6,931	2,849	962	10,742
Professional fees	12,134	1,258	7,503	20,895
Rental and maintenance	5,228	510	1,595	7,333
Supplies	20,942	4,433	803	26,178
Travel	36,745	1,556	726	39,027
	<u>\$6,782,269</u>	<u>\$ 128,941</u>	<u>\$ 77,393</u>	<u>\$6,988,603</u>

See independent auditors' report and notes to financial statements.

BRAZOS VALLEY FOOD BANK, INC.
Statement of Cash Flows
For the Year Ended December 31, 2010

Cash Flows From Operating Activities

Change in net assets	\$ 193,111
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	40,107
Donated land	(68,000)
Loss on disposition of property and equipment	96
Change in operating assets and liabilities:	
Receivables	(4,938)
Prepaid expenses	(9,478)
Inventory	(83,726)
Accounts payable	<u>24,742</u>
Net cash provided by operating activities	<u>91,914</u>

Cash Flows From Investing Activities

Purchase of equipment	(28,928)
Earnings reinvested on short-term investments	<u>(1,128)</u>
Net cash used in investing activities	<u>(30,056)</u>

Cash Flows From Financing Activities

Payments on capital lease obligations	<u>(1,386)</u>
Net cash used in financing activities	<u>(1,386)</u>

Net Change in Cash and Cash Equivalents	60,472
Cash and Cash Equivalents, Beginning	<u>542,797</u>
Cash and Cash Equivalents, Ending	<u>\$603,269</u>

See independent auditors' report and notes to financial statements.

BRAZOS VALLEY FOOD BANK, INC.
Notes to the Financial Statements
December 31, 2010

Note 1 – Summary of Significant Accounting Policies

Nature of activities

Brazos Valley Food Bank, Inc., (the “Food Bank”) is a not-for-profit corporation chartered by the State of Texas. The Food Bank was organized to acquire, equip, operate and maintain food storage and distribution facilities for receiving, storing, and distributing food to the needy through other non-profit agencies. The Food Bank is funded through contributions, federal awards, the United Way, and private foundations.

Financial statement presentation

The financial statements of the Food Bank are presented in accordance with *FASB Accounting Standards Codification (FASB ASC) 958-205, Presentation of Financial Statements* (formerly Statement of Financial Accounting Standards No. 117). Under ASC 958-205, the Food Bank is required to report information regarding its financial position and activities accordingly to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Use of estimates

Management of the Food Bank has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

Cash and cash equivalents

For purposes of the statement of cash flows, the Food Bank considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Contributions

The Food Bank accounts for contributions in accordance with *FASB ASC 958-605, Revenue Recognition* (formerly Statement of Financial Accounting Standards No. 116). In accordance with ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

BRAZOS VALLEY FOOD BANK, INC.
Notes to the Financial Statements – Continued
December 31, 2010

Note 1 – Summary of Significant Accounting Policies - Continued

Property and equipment

The Food Bank records at cost all property and equipment if purchased. Donated equipment is recorded as support at the estimated fair value at the date of the gift. Equipment is depreciated using the straight-line method over its estimated useful life. The cost of maintenance and repairs is charged to expense as paid; significant renewals and betterments are capitalized.

Fair value of financial instruments

The carrying amounts of cash equivalents, receivables, and current liabilities approximate fair value because of the short maturity of those instruments.

Promises to give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Inventory of food

The inventory of donated food is valued at an average of the national wholesale prices as determined by Feeding America (formerly America's Second Harvest) or at the cost of the products purchased as determined by the first-in, first-out method.

Donated services

Donated services are recognized as contributions in accordance with *FASB ASC 958-605, Revenue Recognition* if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Food Bank. Donated services from volunteers performing food-handling or clerical functions throughout the year are not recognized as contributions in the financial statements because the criteria for *FASB ASC 958-605* are not met.

Federal Income Taxes

The Food Bank is a tax-exempt non-profit organization under Internal Revenue Code 501(c)(3). In addition, the Food Bank has been classified as an organization that is not a private foundation under Section 509(a)(1).

BRAZOS VALLEY FOOD BANK, INC.
Notes to the Financial Statements -- Continued
December 31, 2010

Note 2 – Federal Income Taxes

The Food Bank has adopted the uncertain tax provisions of ASC 740. The Food Bank evaluates its uncertain tax positions using the provisions of ASC 450, *Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax provision or for all uncertain tax positions in the aggregate could differ from the amount recognized.

Interest and penalties associated with uncertain tax positions are recognized as components of federal income tax expense. As noted above, the Food Bank is a tax-exempt non-profit organization; therefore, no provision or liability for federal income taxes has been included in the financial statements.

The Food Bank believes that its tax position regarding its status as a tax-exempt organization will remain significantly unchanged within the next twelve months.

While the Food Bank is not aware of any tax examinations being conducted, tax years 2008-2010 remain subject to examination by the United States Internal Revenue Service.

Note 3 – Lease Commitments

During 2008, the Food Bank entered into a capital lease obligation. The following is an analysis of the Food Bank's asset under this capital lease:

Equipment	\$ 8,395
Less: accumulated depreciation	<u>2,996</u>
	<u>\$ 5,399</u>

Future minimum lease payments for assets under capital leases at December 31, 2010 are as follows:

Fiscal year 2011	\$ 3,000
Fiscal year 2012	3,000
Fiscal year 2013	<u>1,250</u>
Net minimum obligations	7,250
Less interest	<u>1,821</u>
Present value of net minimum obligations	5,429
Less current portion	<u>1,792</u>
Long-term obligations at December 31, 2010	<u>\$ 3,637</u>

BRAZOS VALLEY FOOD BANK, INC.
Notes to the Financial Statements – Continued
December 31, 2010

Note 4 – Property and Equipment

Property and equipment in major categories with related accumulated depreciation at December 31, 2010 are shown below:

Vehicles	\$ 72,451
Less: accumulated depreciation	<u>(27,721)</u>
	44,730
Building and improvements	528,999
Less: accumulated depreciation	<u>(152,727)</u>
	376,272
Furniture and equipment	226,194
Less: accumulated depreciation	<u>(150,208)</u>
	75,986
Land	<u>68,000</u>
	68,000
Construction in progress	<u>11,314</u>
	<u>11,314</u>
Net property and equipment	<u>\$576,302</u>

Depreciation expense was \$40,107 for the year ended December 31, 2010.

Note 5 – Related Party Transactions

Related parties consist of all affiliates of an organization, including management, Board members, employees, and their families. The Food Bank received contributions from Board members of \$4,822 during the year ended December 31, 2010. The Food Bank also purchased approximately \$16,049 in eggs from Feathercrest Farms, which is owned by the husband of a Board member.

Note 6 – Restrictions on Net Assets

In 1993, the Food Bank received Community Development Block Grant (CDBG) funds from the City of College Station totaling \$25,000 to be used for the acquisition of a warehouse and office building to house its administrative and operating activities. The agreement for the CDBG funds contained certain indefinite restrictions on the building including its use to continue to provide aid in eliminating hunger. Another restriction required proceeds from any substantial sale of the property to be returned on a prorated basis to the city. Since the proceeds from the sale of the old building

BRAZOS VALLEY FOOD BANK, INC.
Notes to the Financial Statements -- Continued
December 31, 2010

Note 6 – Restrictions on Net Assets - Continued

were immediately used as a down payment on the new building, these restrictions continue to be met and no amounts are due back to the City of College Station. Due to the restriction on the building, the \$25,000 from the City of College Station is shown as permanently restricted net assets.

An individual donated \$67,000 to the Food Bank with the restriction that the principal be invested and only the income is to be used for Food Bank operations. Additionally, in the event of closure of the Food Bank, the full principal is to be transferred to the United Way of the Brazos Valley. Due to the restriction, the \$67,000 is shown as permanently restricted net assets.

Note 7 - Donated Food

The Food Bank receives donations of food from various sources including Feeding America, the United States Department of Agriculture (USDA) and reclamation items from area grocery stores. During the year ended December 31, 2010, the Food Bank distributed 3,759,580 pounds of food.

Note 8 – Retirement Plan

The Food Bank provides retirement benefits to its employees through a defined contribution plan covering all full-time employees with one year of eligible experience. The Food Bank matches the employee contribution up to 3 percent of gross wages. Contributions to the plan during the year ended December 31, 2010 were \$4,082.

Note 9 – Commitments and Contingencies

In May 2010, the City of Bryan donated a 1.108 acre tract of land with an appraised value of \$68,000 to the Food Bank to be used for the construction of an expanded facility. As stated in the Consideration Agreement signed May 14, 2010, the Food Bank agreed to break ground and commence construction of the expanded facility within thirty-six months of the City's conveyance of the property and complete construction of the facility within sixty months of the City's conveyance of the Property. The Food Bank also agreed to obtain a replat showing the donated property and the Food Bank's current property as a single lot. Upon a finding by the City that the Food Bank failed to break ground within thirty six months or failed to complete construction within sixty months, the City shall have a right of reentry. If the city exercises its right, title, possession, and other rights of ownership in the property shall revert to the City. Due to this restriction on the land, the \$68,000 is shown as temporarily restricted net assets.

Note 10 – Subsequent Events

The Food Bank has evaluated subsequent events through June 28, 2011, the date which the financial statements were issued.