

FEEDING TEXAS

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2015 AND 2014

FEEDING TEXAS

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
AUDITED FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statement of Activities	
September 30, 2015	4
September 30, 2014	5
Statement of Functional Expenses	
September 30, 2015	6
September 30, 2014	7
Statements of Cash Flows	8
Notes to Financial Statements	9
FEDERAL AND STATE COMPLIANCE SECTION	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> and <i>Texas Uniform Grant Management Standards</i>	15
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with <i>OMB Circular A-133</i> and the <i>State of Texas Single Audit Circular</i>	17
Schedule of Expenditures of Federal and State Awards	19
Notes to Schedule of Expenditures of Federal and State Awards	20
Schedule of Findings and Questioned Costs	22
Summary Schedule of Prior Audit Findings	23



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Feeding Texas
Austin, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Feeding Texas, which comprise the statements of financial position as of September 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. 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 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 auditors consider 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 financial position of Feeding Texas as of September 30, 2015 and 2014, and the changes in its net assets and its cash flows for the year 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 Schedule Of Expenditures Of Federal and State Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and by the *State of Texas Single Audit Circular*, on page 20, and the supplemental notes are presented for purposes of additional analysis and are not required parts 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2016 on our consideration of Feeding Texas' 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 Feeding Texas' internal control over financial reporting and compliance.



Austin, Texas
January 7, 2016

FEEDING TEXAS
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 248,657	\$ 48,105
Pledges receivable	200,000	-
Accounts and grant receivables	1,647,844	2,533,618
Receivables - member food banks	466,295	254,691
	2,562,796	2,836,414
Total current assets		
PROPERTY AND EQUIPMENT, net	4,015	6,310
OTHER ASSETS		
Deposits	9,183	2,841
	2,575,994	2,845,565
TOTAL ASSETS	\$ 2,575,994	\$ 2,845,565
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable - member food banks	\$ 1,376,287	\$ 1,696,777
Accounts payable	256,810	420,791
Accrued compensated absences	36,928	36,869
Accrued expenses - other	5,644	1,613
	1,675,669	2,156,050
Total current liabilities		
NET ASSETS		
Unrestricted net assets	445,631	532,603
Temporarily restricted net assets	454,694	156,912
	900,325	689,515
Total net assets		
TOTAL LIABILITIES AND NET ASSETS	\$ 2,575,994	\$ 2,845,565

The accompanying notes are an integral part of these financial statements.

FEEDING TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
Grants and contracts	\$ 6,590,576	\$ -	\$ 6,590,576
Cash contributions	167,920	531,529	699,449
Non-cash contributions	209,078	-	209,078
Membership dues	327,400	-	327,400
Interest income	769	-	769
Produce reimbursements	2,818,759	-	2,818,759
Conference fees	28,350	-	28,350
VISTA cost share	54,626	-	54,626
Net assets released from restrictions	233,747	(233,747)	-
Total revenues and other support	<u>10,431,225</u>	<u>297,782</u>	<u>10,729,007</u>
EXPENSES			
Program services	10,179,694	-	10,179,694
Management and general	329,089	-	329,089
Fundraising	9,414	-	9,414
Total expenses	<u>10,518,197</u>	<u>-</u>	<u>10,518,197</u>
CHANGE IN NET ASSETS	(86,972)	297,782	210,810
NET ASSETS - BEGINNING OF YEAR	<u>532,603</u>	<u>156,912</u>	<u>689,515</u>
NET ASSETS - END OF YEAR	<u>\$ 445,631</u>	<u>\$ 454,694</u>	<u>\$ 900,325</u>

The accompanying notes are an integral part of these financial statements.

FEEDING TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
Grants and contracts	\$ 7,052,961	\$ -	\$ 7,052,961
Cash contributions	210,833	350,000	560,833
Non-cash contributions	-	-	-
Membership dues	320,000	-	320,000
Interest income	1,848	-	1,848
Produce reimbursements	976,115	-	976,115
Conference fees	26,466	-	26,466
VISTA cost share	-	-	-
Net assets released from restrictions	317,854	(317,854)	-
	<u>8,906,077</u>	<u>32,146</u>	<u>8,938,223</u>
Total revenues and other support			
EXPENSES			
Program services	8,522,140	-	8,522,140
Management and general	276,019	-	276,019
Fundraising	75,621	-	75,621
	<u>8,873,780</u>	<u>-</u>	<u>8,873,780</u>
Total expenses			
CHANGE IN NET ASSETS	32,297	32,146	64,443
NET ASSETS - BEGINNING OF YEAR	<u>500,306</u>	<u>124,766</u>	<u>625,072</u>
NET ASSETS - END OF YEAR	<u>\$ 532,603</u>	<u>\$ 156,912</u>	<u>\$ 689,515</u>

The accompanying notes are an integral part of these financial statements.

FEEDING TEXAS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Program Services	General Administration	Fund- Raising	Total
Grants to food banks	\$ 5,770,329	\$ -	\$ -	\$ 5,770,329
Staff compensation	684,783	218,692	8,620	912,095
Fees for services	71,907	31,378	-	103,285
Office expense	18,349	23,829	55	42,233
Information technology	50,260	18,708	162	69,130
Occupancy	40,347	9,726	287	50,360
Travel	67,726	4,000	290	72,016
Conferences and meetings	89,382	11,330	-	100,712
Depreciation	-	2,295	-	2,295
Insurance expense	-	3,910	-	3,910
Other food bank expenses				
Produce purchases	2,750,164	-	-	2,750,164
Transportation	629,283	-	-	629,283
All other expenses	7,164	5,221	-	12,385
Total Functional Expenses	\$ 10,179,694	\$ 329,089	\$ 9,414	\$ 10,518,197

The accompanying notes are an integral part of these financial statements.

FEEDING TEXAS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Program Services	General Administration	Fund- Raising	Total
Grants to food banks	\$4,954,837	\$ -	\$ -	\$4,954,837
Staff compensation	604,600	143,666	47,889	796,155
Fees for services	58,778	49,044	-	107,822
Advertising	13,105	-	-	13,105
Office expense	25,965	19,210	6,403	51,578
Information technology	75,520	2,330	777	78,627
Occupancy	17,710	18,690	6,230	42,630
Travel	40,896	17,855	5,952	64,703
Conferences and meetings	2,835	18,734	6,245	27,814
Interest expense	-	16	-	16
Depreciation	425	115	34	574
Insurance expense	3,109	840	252	4,201
Other food bank expenses				
Produce purchases	2,209,953	-	-	2,209,953
Transportation	509,861	-	-	509,861
All other expenses	4,546	5,519	1,839	11,904
Total Functional Expenses	\$8,522,140	\$ 276,019	\$75,621	\$8,873,780

The accompanying notes are an integral part of these financial statements.

FEEDING TEXAS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
OPERATING ACTIVITIES		
Change in net assets	\$ 210,810	\$ 64,442
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation expense	2,295	574
(Increase) decrease in operating assets		
Pledges receivable	(200,000)	-
Accounts and grant receivables	885,775	(1,161,197)
Accounts receivable - member food banks	(211,604)	(38,351)
Deposits	(6,344)	7,884
Increase (decrease) in operating liabilities		
Accounts payable	(486,084)	193,761
Accrued expenses	5,704	18,908
Deferred revenue	-	(219,414)
	200,552	(1,133,393)
Net Cash Provided by (Used in) Operating Activities	200,552	(1,133,393)
INVESTING ACTIVITIES		
Purchases of property and equipment	-	(6,884)
	-	(6,884)
Net Cash Provided by (Used in) Investing Activities	-	(6,884)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	200,552	(1,140,277)
CASH AND CASH EQUIVALENTS - Beginning of year	48,105	1,188,382
CASH AND CASH EQUIVALENTS - End of year	\$ 248,657	\$ 48,105
Cash paid for interest and taxes:		
Interest	\$ -	16
Taxes	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

FEEDING TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization. Feeding Texas is a non-profit organization formed to provide a unified voice among and in support of our common mission to end hunger in Texas. Feeding Texas is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Feeding Texas places major emphasis on facilitating coordination of statewide resources to benefit food banks, promoting communication and interaction among members, acting as a liaison with state agencies on issues that impact food banking, providing education and training programs on issues of hunger and food banking, developing and creating new resources for food and funds, and assisting with community-based outreach and application assistance in connection with state sponsored assistance programs.

Feeding Texas contracts with the Texas Health and Human Services Commission (HHSC) to provide application assistance to individuals that are potentially eligible for HHSC social service programs.

Feeding Texas contracts with the Texas Health and Human Services Commission (HHSC) for supplemental nutrition assistance program education.

Feeding Texas contracts with the Texas Department of Agriculture (TDA) for the distribution of surplus agricultural products through member food banks to serve needy or low-income individuals.

Feeding Texas receives support from respected, national anti-hunger organizations including Feeding America, the Food Research and Action Center (FRAC) and Mazon.

Basis of Presentation. The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Feeding Texas and changes therein are classified and reported as follows:

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

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

FEEDING TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Permanently restricted net assets — Net assets subject to donor-imposed stipulations that they be maintained permanently by Feeding Texas. Generally, the donors of these assets permit Feeding Texas to use all or part of the income earned on any related investments for general or specific purposes. Feeding Texas had no permanently restricted net assets at September 30, 2015 and 2014.

Cash Equivalents. Feeding Texas considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable. Feeding Texas considers all recorded accounts and grants to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

Property and Equipment. Feeding Texas capitalizes all expenditures for property and equipment in excess of \$5,000 having a useful life of more than one year. Depreciation on property and equipment is provided using the straight-line method over estimated useful lives of the respective assets, ranging from 3 to 5 years. Repairs and maintenance are charged to expense as incurred. Assets retired from service during the year are charged against their accumulated depreciation account and removed from the fixed asset records. If the asset is not fully depreciated the residual asset balance is charged to depreciation expense for the current year. Upon sale or other disposition of assets, the costs and related accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is reflected as an increase or decrease in unrestricted net assets.

Revenue Recognition. In accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-605, Revenue Recognition, funds received from federal, state, and local governments for grants that are conditioned upon Feeding Texas incurring certain qualifying costs are considered to be exchange transactions and therefore are recognized as revenue as those costs are incurred. Contract revenues are recognized as services are performed. Revenue is deferred for funds received from grantor agencies which have not been spent on qualifying purposes.

Membership dues are calculated and prorated based upon the total pounds of food distributed in the member's area for the previous year. These dues are used to supplement the budget needs of Feeding Texas during any given year.

Donations. Donated materials and services, meeting the requirements for recognition, are reflected as contributions in the accompanying financial statements at their estimated values at the date of receipt. Feeding Texas received donated materials or services with a fair value of \$209,078 and \$0 during the years ended September 30, 2015 and 2014, respectively.

FEEDING TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

Concentration of Risk. Revenue to support Feeding Texas's programs is derived primarily from contracts, grants, donations and membership dues. During the year ended September 30, 2015, Feeding Texas earned grants and contracts totaling \$6,590,776, or approximately 61%, of total revenues for the year from state governmental agencies. During the year ended September 30, 2014, Feeding Texas earned grants and contracts totaling \$7,862,446, or approximately 88%, of total revenues for the year from state governmental agencies.

During the years ended September 30, 2015 and 2014, Feeding Texas's deposits at its bank occasionally exceeded federal deposit insurance limits (FDIC). The FDIC insures deposits up to \$250,000 per financial institution. The excess above \$250,000 is only backed by the soundness of the financial institution. Management believes the risk of incurring material losses related to this credit risk is remote. The uninsured balance was \$713,403 as of September 30, 2015.

Deferred Revenue. Contract or grant revenues received in advance of having been earned or incurring qualified costs are recorded as deferred revenues. There was no deferred revenue for the years ended September 30, 2015 and 2014.

Federal Income Taxes. Feeding Texas is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and is classified as a nonprofit organization. Accordingly, no provision for income taxes has been made in the financial statements. Taxes are paid on net income earned from sources unrelated to the exempt purposes. There was no net income from unrelated business income for the years ended September 30, 2015 and 2014. As of September 30, 2015 and 2014, Feeding Texas had not recognized any liability for uncertain tax positions.

Feeding Texas's tax returns are subject to review and examination by federal and state authorities. Tax returns are open for examination by these authorities for three years from the due date of the return or the date actually filed. As of September 30, 2015, the tax return years open for examination include tax years ended September 30, 2012, and after.

FEEDING TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Functional Allocation of Expenses. The costs of providing program, fundraising and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting activities benefited.

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

Subsequent Events. Management of Feeding Texas has evaluated subsequent events for disclosure through the date of the Independent Auditors' Report, the date the financial statements were available to be issued.

NOTE 2 - PROPERTY AND EQUIPMENT

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

	2015	2014
Furniture & Equipment	\$ 6,884	\$ 35,478
Software	-	19,990
	6,884	55,468
Accumulated Depreciation	(2,869)	(49,158)
	\$ 4,015	\$ 6,310

Depreciation expense for the years ended September 30, 2015 and 2014, was \$2,295 and \$574, respectively.

FEEDING TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 3 - LINE OF CREDIT

Feeding Texas has a \$300,000 line of credit with its primary banking institution. The line bears interest at 1.75% above the bank's prime rate. The line matured December 8, 2015. There were no outstanding balances on the line at September 30, 2015 or 2014.

NOTE 4 - EMPLOYEE BENEFIT PLAN

Feeding Texas has a 403(b) contributory benefit plan, which covers all employees. Feeding Texas makes discretionary contributions of 5% of the employee's eligible base salary. Feeding Texas made contributions to the plan of \$35,096 and \$30,802 for the years ended September 30, 2015 and 2014, respectively.

NOTE 5 - OPERATING LEASE

Feeding Texas leases its office facilities under a non-cancelable operating lease. The lease was amended on June 4, 2015, to expand the rented square feet and expires on July 31, 2020. Lease expense for the years ended September 30, 2015 and 2014, was \$47,457 and \$42,115, respectively, and is allocated among program services, management and general, and fundraising expenses.

The following is a schedule by years of minimum future rentals on this noncancelable operating lease:

Years ending September 30:	
2016	\$ 101,309
2017	103,628
2018	105,947
2019	108,266
2020	91,832
	<u>\$ 510,982</u>

FEEDING TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at September 30:

<u>Nature of Restriction</u>	<u>2014</u>	<u>New Donations</u>	<u>Releases from Restriction</u>	<u>2015</u>
Produce Enterprise Strategy	\$ -	\$ 250,000	\$ (779)	\$ 249,221
Advocacy Capacity Building	-	100,000	(7,825)	92,175
Outreach	-	60,000	(41,635)	18,365
Food Bank Members Coordination Policy	-	30,000	(12,423)	17,577
Hunters for the Hungry	-	10,000	-	10,000
Hunters for the Hungry	-	10,000	-	10,000
VISTA	-	58,500	(1,143)	57,357
VISTA	56,957	-	(56,957)	-
SAFB SNAP Matching funds	34,244	-	(34,244)	-
Food Bank Members Coordination Policy	30,000	-	(30,000)	-
Produce Sourcer expenses	17,367	-	(17,367)	-
Food Bank Members Coordination Policy	11,635	-	(11,635)	-
Hunters for the Hungry	5,609	1,030	(6,639)	-
Food transportation	1,100	-	(1,100)	-
Hunger Is	-	12,000	(12,000)	-
	<u>\$ 156,912</u>	<u>\$ 531,530</u>	<u>\$ (233,747)</u>	<u>\$ 454,695</u>

<u>Nature of Restriction</u>	<u>2013</u>	<u>New Donations</u>	<u>Releases from Restriction</u>	<u>2014</u>
CAFB SNAP matching funds	\$ 70,000	\$ -	\$ (70,000)	\$ -
Advocacy childhood obesity	6,990	-	(6,990)	-
Atlas Development	5,000	-	(5,000)	-
Hunters for the Hungry	36,165	-	(30,556)	5,609
Food transportation	6,611	-	(5,511)	1,100
Communications	-	15,000	(15,000)	-
Kids Backpacks/Kids Café	-	15,000	(15,000)	-
VISTA	-	65,000	(8,043)	56,957
SAFB SNAP Matching funds	-	70,000	(35,756)	34,244
Food Bank Members Coordination Policy	-	30,000	-	30,000
Produce Sourcer expenses	-	125,000	(107,633)	17,367
Food Bank Members Coordination Policy	-	30,000	(18,365)	11,635
	<u>\$ 124,766</u>	<u>\$ 350,000</u>	<u>\$ (317,854)</u>	<u>\$ 156,912</u>

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes.

FEDERAL AND STATE COMPLIANCE SECTION



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

To the Board of Directors
Feeding Texas
Austin, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and *Texas Uniform Grant Management Standards*, issued by the Governor's Office of Budget and Planning, the financial statements of Feeding Texas, (the Organization) which comprise the statement of financial position as of September 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 7, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and *Texas Uniform Grant Management Standards*.

Purpose of this Report

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



Austin, Texas
January 7, 2016



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*
AND THE *STATE OF TEXAS SINGLE AUDIT CIRCULAR***

To the Board of Directors
Feeding Texas
Austin, Texas

Report on Compliance for Each Major State Program

We have audited Feeding Texas' (the Organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and *State of Texas Single Audit Circular* that could have a direct and material effect on each of the Organization's major state programs for the year ended September 30, 2015. The Organization's state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organization*; and *Texas Uniform Grant Management Standards*, issued by the Governor's Office of Budget and Planning; and the *State of Texas Single Audit Circular*, issued by the Governor's Office of Budget and Planning. Those standards, *OMB Circular A-133* and the *State of Texas Single Audit Circular* 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 or state program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major State Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2015.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal or state program and to test and report on internal control over compliance in accordance with *OMB Circular A-133* and the *State of Texas Single Audit Circular*, 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 the Organization's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of *OMB Circular A-133* and the *State of Texas Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.



Austin, Texas
January 7, 2016

FEEDING TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR END SEPTEMBER 30, 2015

<u>FEDERAL</u>	<u>Grant Numbers</u>	<u>Expenditures</u>
Health and Human Services Commission		
Supplemental Nutrition Assistance Program Education	CFDA 10.561	<u>\$ 704,402</u>
 <u>STATE</u>		
Texas Department of Agriculture		
Texas Feeding Texans: Surplus Agricultural Product Recovery	AS-1415-01	607,958
Brighter Bites	BITE-1213-01	<u>663,138</u>
Total State Awards		<u>1,271,096</u>
Total Awards		<u><u>\$ 1,975,498</u></u>

See Independent Auditors' Report and Notes to Schedule of Expenditures of Federal and State Awards.

FEEDING TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2015

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the grant activity of Feeding Texas and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 and the *State of Texas Single Audit Circular*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE 2 - FEDERAL AND STATE AWARDS PROVIDED TO FOOD BANKS

Feeding Texas provided federal and state awards to the following food banks:

<u>Food Banks</u>	<u>TDA Surplus Produce</u>	<u>TDA Brighter Bites</u>	<u>HHSC SNAP Ed</u>
Brazos Valley Food Bank	\$ 1,388	\$ -	\$ 76,102
Capital Area Food Bank	86,254	-	113,176
Corpus Christi Food Bank	3,950	-	-
East Texas Food Bank	60,235	-	-
El Paso Food Bank	11,781	-	66,929
Galveston County Food Bank	-	-	13,397
Golden Crescent Food Bank	-	-	60,751
High Plains Food Bank	46,282	-	-
Houston Food Bank	46,161	391,285	-
Montgomery County Food Bank	7,908	-	40,128
North Texas Food Bank	630	250,675	-
Rio Grande Valley Food Bank	96,610	-	-
San Antonio Food Bank	73,426	-	46,530
South Plains Food Bank	29,642	-	-
South Texas Food Bank	8,965	-	39,372
Southeast Texas Food Bank	21,805	-	-
Tarrant Area Food Bank	4,392	-	-
West Texas Food Bank	243	-	51,535
Wichita Falls Food Bank	-	-	46,837
Food bank totals	499,672	641,960	554,757
Feeding Texas	108,286	21,178	149,645
Program totals	<u>\$ 607,958</u>	<u>\$663,138</u>	<u>\$ 704,402</u>

FEEDING TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2015

NOTE 3 - NON-CASH ASSISTANCE

Feeding Texas did not receive non-cash assistance from federal or state awards for the year ended September 30, 2015.

NOTE 4 - LOANS

As of September 30, 2015, Feeding Texas had no loans or loan guarantees outstanding with federal and state awarding agencies.

**FEEDING TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2015**

	Description
I. Summary of Auditors' Results	
Financial Statements	
a. Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
b. Material weakness(es) identified	None
c. Significant deficiency(ies) that are not considered to be material weaknesses?	None
d. Noncompliance material to the financial statements noted?	None
Federal and State Awards	
Internal control over major programs:	
e. Material weakness(es) identified	None
f. Significant deficiency(ies) that are not considered to be material weaknesses?	None
g. Type of auditors' report issued on compliance for major programs?	None
h. Any audit findings disclosed that are required to be reported in accordance with <i>OMB Circular A-133</i> and the <i>State of Texas Single Audit Circular</i> ?	None
i. Major programs were:	
<u>Federal</u>	
Health and Human Services Commission	
Supplemental Nutrition Assistance Program Education	
<u>State</u>	
Texas Department of Agriculture	
Brighter Bites Program	
j. Dollar threshold considered between Type A and Type B programs:	\$ 300,000
k. Auditee qualified as low risk?	No
II. Findings Relating to Financial Statements Required to be Reported in Accordance with <i>Generally Accepted Government Auditing Standards</i> :	
None	
III. Findings and Questioned Costs for Federal and State Awards:	
None	

**FEEDING TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

There were no prior year findings.