

SAN ANTONIO FOOD BANK, INC.

ANNUAL FINANCIAL STATEMENTS

JUNE 30, 2008

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SAN ANTONIO FOOD BANK, INC.
June 30, 2008 and 2007

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**Tsakopoulos Brown
Schott & Anchors**

Independent Auditors' Report

October 22, 2008

To the Board of Directors
SAN ANTONIO FOOD BANK, INC.
San Antonio, Texas

We have audited the financial statements of **SAN ANTONIO FOOD BANK, INC. (FOOD BANK)** as set forth in the table of contents as of **June 30, 2008** and 2007 and for the years then ended. These financial statements are the responsibility of the **FOOD BANK's** management and Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the **FOOD BANK's** internal control over financial reporting. Accordingly, we express no such opinion. 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 audits provide 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 the **FOOD BANK** as of **June 30, 2008** and 2007, 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.

Tsakopoulos Brown Schott & Anchors

TSAKOPOULOS BROWN SCHOTT & ANCHORS

Statements of Financial Position

SAN ANTONIO FOOD BANK, INC.

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
ASSETS		
ASSETS		
Cash		
Unrestricted cash	\$ 43,125	\$ 691,648
Restricted cash	<u>2,184,297</u>	<u>446,848</u>
	2,227,422	1,138,496
Refundable bid deposit	150,000	-
Promises to give	771,800	802,000
Accounts receivable	776,157	465,345
Food inventory	5,301,715	3,063,378
Investment	1,992,843	1,127,485
Property and equipment	<u>9,984,025</u>	<u>10,583,510</u>
TOTAL ASSETS	<u>\$ 21,203,962</u>	<u>\$ 17,180,214</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 225,734	\$ 266,346
Accrued expenses	<u>140,111</u>	<u>94,355</u>
TOTAL LIABILITIES	365,845	360,701
NET ASSETS		
Unrestricted	20,023,192	15,570,665
Temporarily restricted - board designated	-	372,000
Temporarily restricted - capital campaign and other donations	<u>814,925</u>	<u>876,848</u>
TOTAL NET ASSETS	<u>20,838,117</u>	<u>16,819,513</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 21,203,962</u>	<u>\$ 17,180,214</u>

Statements of Activities

SAN ANTONIO FOOD BANK, INC.

	For the Years Ended	
	<u>June 30, 2008</u>	<u>June 30, 2007</u>
UNRESTRICTED NET ASSETS		
Revenues		
Donated food	\$ 47,132,981	\$ 49,307,860
Net assets released from restrictions	900,507	4,505,546
Governmental funding authorities	2,479,932	2,003,097
Contributions	2,263,132	1,563,056
Shared maintenance	791,776	1,039,801
Special events	402,091	430,501
United Way, less fund raising expenses	369,135	348,087
Investment income	7,983	167,352
Other	135,569	172,680
Gain on disposition of building, land and improvements not used in operations	992,613	-
Total Unrestricted Revenues	<u>55,475,719</u>	<u>59,537,980</u>
Expenses		
Program	49,391,921	52,088,906
Management and general	977,380	783,302
Fund raising	653,891	659,662
Total Expenses	<u>51,023,192</u>	<u>53,531,870</u>
Income from Operations and Increase in Unrestricted Net Assets	4,452,527	6,006,110
TEMPORARILY RESTRICTED NET ASSETS		
Capital campaign and other donations	466,584	390,256
Less net assets released from restrictions	<u>(900,507)</u>	<u>(4,505,546)</u>
(Decrease) in Temporarily Restricted Net Assets	<u>(433,923)</u>	<u>(4,115,290)</u>
CHANGE IN NET ASSETS	<u>\$ 4,018,604</u>	<u>\$ 1,890,820</u>

Statements of Changes in Net Assets

SAN ANTONIO FOOD BANK, INC.

	<u>Temporarily Restricted Net Assets</u>			<u>Total Net Assets</u>
	<u>Unrestricted Net Assets</u>	<u>Board Designated</u>	<u>Capital Campaign and Other Donations</u>	
Balance at June 30, 2006	\$ 9,564,555	\$ 372,000	\$ 4,992,138	\$ 14,928,693
Change in net assets	<u>6,006,110</u>	<u>-</u>	<u>(4,115,290)</u>	<u>1,890,820</u>
Balance at June 30, 2007	15,570,665	372,000	876,848	16,819,513
Change in net assets	<u>4,452,527</u>	<u>(372,000)</u>	<u>(61,923)</u>	<u>4,018,604</u>
Balance at June 30, 2008	<u>\$ 20,023,192</u>	<u>\$ -</u>	<u>\$ 814,925</u>	<u>\$ 20,838,117</u>

Statement of Functional Expenses

SAN ANTONIO FOOD BANK, INC. for the year ended June 30, 2008

	Program	Management and General	Fund Raising	Total
FOOD EXPENSE				
Distributed food	\$ 44,894,644	\$ -	\$ -	\$ 44,894,644
EMPLOYEE EXPENSES				
Salaries and wages	1,859,215	524,394	285,062	2,668,671
Health insurance and other benefits	280,429	98,529	47,668	426,626
Payroll taxes and workers' compensation	159,151	46,809	28,085	234,045
Total Employee Expenses	2,298,795	669,732	360,815	3,329,342
OTHER EXPENSES				
Supplies and food items	1,115,899	11,272	10,621	1,137,792
Rental and maintenance of equipment	235,794	2,382	212	238,388
Printing and publications	40,304	7,113	167,847	215,264
Occupancy and product storage	173,741	23,692	8,769	206,202
Travel and transportation	106,384	30,006	12,996	149,386
Other expenses	50,286	39,511	30,791	120,588
Insurance	77,568	25,856	3,429	106,853
Telephone	38,147	6,732	1,821	46,700
Professional fees	22,792	19,415	3,618	45,825
Affiliation dues	3,868	34,809	2,921	41,598
Postage and shipping	8,913	15,177	13,470	37,560
Membership dues	1,723	1,943	685	4,351
Total Other Expenses	1,875,419	217,908	257,180	2,350,507
Total Expenses Before Depreciation	49,068,858	887,640	617,995	50,574,493
Depreciation expense	323,063	89,740	35,896	448,699
TOTAL EXPENSES	\$ 49,391,921	\$ 977,380	\$ 653,891	\$ 51,023,192

Statement of Functional Expenses

SAN ANTONIO FOOD BANK, INC. for the year ended June 30, 2007

	Program	Management and General	Fund Raising	Total
FOOD EXPENSE				
Distributed food	\$ 48,369,183	\$ -	\$ -	\$ 48,369,183
EMPLOYEE EXPENSES				
Salaries and wages	1,431,101	403,643	274,186	2,108,930
Health insurance and other benefits	237,970	83,610	47,145	368,725
Payroll taxes and workers' compensation	137,130	40,961	22,997	201,088
Total Employee Expenses	1,806,201	528,214	344,328	2,678,743
OTHER EXPENSES				
Supplies and food items	995,190	10,052	1,186	1,006,428
Rental and maintenance of equipment	226,885	1,934	143	228,962
Printing and publications	23,230	3,940	145,661	172,831
Occupancy and product storage	174,205	22,971	10,254	207,430
Travel and transportation	77,947	21,640	16,475	116,062
Other expenses	14,681	11,513	39,474	65,668
Insurance	99,645	34,000	-	133,645
Telephone	37,054	6,591	3,486	47,131
Professional fees	50,709	43,915	41,040	135,664
Affiliation dues	3,699	32,571	1,889	38,159
Postage and shipping	5,149	8,733	29,731	43,613
Membership dues	298	331	3,237	3,866
Total Other Expenses	1,708,692	198,191	292,576	2,199,459
Total Expenses Before Depreciation	51,884,076	726,405	636,904	53,247,385
Depreciation expense	204,830	56,897	22,758	284,485
TOTAL EXPENSES	\$ 52,088,906	\$ 783,302	\$ 659,662	\$ 53,531,870

Statements of Cash Flows

SAN ANTONIO FOOD BANK, INC.

INCREASE (DECREASE) IN CASH

	For the Years Ended	
	<u>June 30, 2008</u>	<u>June 30, 2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Inflows		
Contributions, support and shared maintenance	\$ 6,687,737	\$ 6,350,172
Investment income	<u>74,567</u>	<u>167,352</u>
	<u>6,762,304</u>	<u>6,517,524</u>
Outflows		
Payments to employees and suppliers	<u>5,676,502</u>	<u>4,657,843</u>
Net Cash Provided by Operating Activities	1,085,802	1,859,681
CASH FLOWS FROM INVESTING ACTIVITIES		
Inflows		
Net proceeds from disposition of building, land and improvements not used in operations	1,765,609	-
Outflows		
Purchase investment	1,000,000	-
Purchase property and equipment	614,285	6,535,661
Refundable bid deposit	<u>150,000</u>	<u>-</u>
	<u>1,764,285</u>	<u>6,535,661</u>
Net Cash Provided (Used) by Investing Activities	<u>1,324</u>	<u>(6,535,661)</u>
INCREASE (DECREASE) IN CASH	1,087,126	(4,675,980)
CASH, beginning of year	<u>1,138,496</u>	<u>5,814,476</u>
CASH, end of year	<u>\$ 2,225,622</u>	<u>\$ 1,138,496</u>
Noncash Investing Activity:		
Fair value of donated property and equipment	<u>\$ 9,725</u>	<u>\$ 27,900</u>

Notes to the Financial Statements

*SAN ANTONIO FOOD BANK, INC.
June 30, 2008 and 2007*

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Mission

SAN ANTONIO FOOD BANK, INC. (FOOD BANK) is a clearing house which acquires and redistributes food to qualified agencies in San Antonio and surrounding counties. The **FOOD BANK's** principle source of public support and revenue for operations is from contributions, various governmental funding authorities, shared maintenance, and United Way. The **FOOD BANK** constructed a new office/warehouse facility which was occupied in March 2, 2007. The facility was funded principally through a capital campaign designed to raise financial support for its construction.

The **FOOD BANK** was incorporated in Texas on March 24, 1980 pursuant to the Texas Non-Profit Corporation Act and is exempt from Federal Income Tax pursuant to Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code and qualifies for charitable contributions deduction for individual donors.

The **FOOD BANK** distributes a certain portion of its food to qualified agencies in San Antonio and surrounding counties for \$0.15 per pound (referred to as shared maintenance in the accompanying statement of activities). To reduce credit risk, the **FOOD BANK** performs ongoing credit evaluations of the agencies' financial condition but does not require collateral.

Use of Estimates in Preparing Financial Statements

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from the estimates used.

Notes to the Financial Statements

SAN ANTONIO FOOD BANK, INC.
June 30, 2008 and 2007

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Pursuant to Statement of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, the **FOOD BANK**'s investment is presented at its estimated fair value. The investment is managed by an unrelated party whose financial statements are audited by a Texas independent certified public accounting firm.

Food

Donated food, distributed food and food inventory are valued at the weighted average wholesale value per pound (\$1.49 and \$1.69 for the years ended **June 30, 2008** and 2007, respectively) as determined by independent accountants engaged by the management of America's Second Harvest (a national organization of food banks).

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the **FOOD BANK** reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The **FOOD BANK** reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

Unconditional Promises to Give

Unconditional promises to give, less an allowance for uncollectible amounts, if any, 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 when the conditions on which they depend are substantially met.

Notes to the Financial Statements

*SAN ANTONIO FOOD BANK, INC.
June 30, 2008 and 2007*

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is received. All other 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, temporarily restricted net assets are reclassified to unrestricted net assets.

Donated Services

Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, 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**. Volunteers donate significant amounts of their time in the **FOOD BANK's** program services and its fund-raising campaigns that are not recognized as contributions in the financial statements since the criteria for SFAS No. 116 are not met.

Allocated Expenses

Expenses by function have been allocated among program and supporting services classifications based on estimates made by the **FOOD BANK's** management.

Notes to the Financial Statements

SAN ANTONIO FOOD BANK, INC.
June 30, 2008 and 2007

NOTE 2. CONCENTRATION OF RISK

Financial instruments which potentially subject the **FOOD BANK** to a concentration of credit risk principally consist of cash, an investment and accounts receivable.

Cash is summarized as follows:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
On deposit with financial institutions	\$ 1,655,790	\$ 1,063,455
On deposit with brokerage institution		
Money market fund	<u>571,632</u>	<u>75,041</u>
	<u>\$ 2,227,422</u>	<u>\$ 1,138,496</u>

The **FOOD BANK** maintains its cash on deposit with various financial institutions. During any given month, the **FOOD BANK's** amount on deposit with any financial institution may exceed the insuring U.S. Governmental agency's \$100,000 limit.

The **FOOD BANK** also has cash on deposit with a brokerage institution. Such amounts are subject to protection provided by the Securities Investor Protection Corporation (SIPC).

The **FOOD BANK's** investment is not insured by any governmental agency.

Corporate and individual contributions are dependent upon various factors, such as grant writing and public support. United Way revenues are subject to compliance with applicable guidelines promulgated by the United Way and other factors not within the control of the **FOOD BANK**. Government revenues are based on amounts authorized by Congress and applicable sponsoring agencies. The **FOOD BANK** is also subject to compliance with various government and programmatic guidelines. Donated food revenues are subject to various factors not within the control of the **FOOD BANK**. Special events revenue is dependent primarily on the generosity of certain corporate entities.

NOTE 3. REFUNDABLE BID DEPOSIT

The \$150,000 refundable bid deposit was returned to the **FOOD BANK** subsequent to year end.

Notes to the Financial Statements

*SAN ANTONIO FOOD BANK, INC.
June 30, 2008 and 2007*

NOTE 4. PROMISES TO GIVE

Promises to give are expected to be collected as follows:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
In one year or less	\$ 407,500	\$ 368,100
Between one and five years	<u>364,300</u>	<u>433,900</u>
	<u>\$ 771,800</u>	<u>\$ 802,000</u>

NOTE 5. INVESTMENT

Investment is summarized as follows:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Cost	\$ 2,055,332	\$ 1,055,332
Cumulative adjustment to fair value	<u>(62,489)</u>	<u>72,153</u>
Fair Value	<u>\$ 1,992,843</u>	<u>\$ 1,127,485</u>

As of October 22, 2008, the fair value of the investment at June 30, 2008 had declined by 7.6% (unaudited).

Notes to the Financial Statements

SAN ANTONIO FOOD BANK, INC.
June 30, 2008 and 2007

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Building and improvements	\$ 8,824,100	\$ 8,341,208
Vehicles	1,288,456	1,051,231
Equipment	257,862	413,237
Furniture	<u>225,737</u>	<u>166,854</u>
	10,596,155	9,972,530
Less accumulated depreciation	<u>(1,263,842)</u>	<u>(813,729)</u>
	9,332,313	9,158,801
Land	<u>651,712</u>	<u>651,712</u>
	9,984,025	9,810,513
Building, land and improvements not used in operations (less \$445,715 accumulated depreciation)	<u>-</u>	<u>772,997</u>
	<u>\$ 9,984,025</u>	<u>\$ 10,583,510</u>

The building, land and improvements not used in operations at June 30, 2007 was sold on November 9, 2007 for \$1,890,000 resulting in a gain of \$992,613, net of closing costs.

NOTE 7. ACCRUED EXPENSES

Accrued expenses are summarized as follows:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Accrued payroll	\$ 118,793	\$ 67,490
Vested annual leave	<u>21,318</u>	<u>26,865</u>
	<u>\$ 140,111</u>	<u>\$ 94,355</u>

Notes to the Financial Statements

SAN ANTONIO FOOD BANK, INC.
June 30, 2008 and 2007

NOTE 8. RETIREMENT PLAN

The FOOD BANK has a qualified retirement plan for the benefit of eligible employees. The FOOD BANK's contributions to the plan were \$78,957 and \$104,712 for the years ended June 30, 2008 and 2007, respectively.

NOTE 9. CASH FLOWS

A reconciliation of the change in net assets to net cash provided by operating activities follows:

	For the Years Ended	
	June 30, 2008	June 30, 2007
Change in net assets	\$ 4,018,604	\$ 1,890,820
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Gain) on disposition of building, land and improvements not used in operations	(992,613)	-
Depreciation expense	448,699	284,485
Market value (appreciation) depreciation	134,642	(72,153)
Fair value of donated property and equipment	(9,725)	(27,900)
Change in operating assets and liabilities		
Promises to give	30,200	373,000
Accounts receivable	(310,812)	209,397
Food inventory	(2,238,337)	(938,673)
Accounts payable and accrued expenses	5,144	140,705
Net Cash Provided by Operating Activities	\$ 1,085,802	\$ 1,859,681

NOTE 10. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at June 30, 2008 and 2007 are for the acquisition of property and equipment or other operating expenses.