



**San Antonio Food Bank, Inc.
and SAFB Real Estate, Inc.**

**Combined Financial Report
Years Ended June 30, 2013 and 2012**

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



**San Antonio Food Bank, Inc.
and SAFB Real Estate, Inc.**

Contents

	Page
Independent Auditor's Report	1-2
Combined Financial Statements	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to the Financial Statements	7-17



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Independent Auditor's Report

To the Board of Directors
San Antonio Food Bank, Inc.
and SAFB Real Estate, Inc.
San Antonio, Texas

Report on the Financial Statements

We have audited the accompanying combined financial statements of San Antonio Food Bank, Inc. (SAFB) and SAFB Real Estate, Inc. (SAFBRE), (collectively referred to as the Food Bank), which comprise the Combined Statements of Financial Position as of June 30, 2013 and 2012, the related Combined Statements of Activities and Changes in Net Assets, Functional Expenses and Cash Flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined 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 the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Food Bank's preparation and fair presentation of the combined 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 Food Bank'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 combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Food Bank as of June 30, 2013 and 2012, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2013 on our consideration of the Food Bank's 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 Food Bank's internal control over financial reporting and compliance.

BDO USA, LLP

November 4, 2013

**San Antonio Food Bank, Inc.
and SAFB Real Estate, Inc.**

Combined Statements of Financial Position

<i>June 30,</i>	2013	2012
Assets		
Cash and cash equivalents	\$ 12,540,478	\$ 4,830,694
Pledges receivable	4,830,000	797,900
Accounts receivable	1,443,398	1,398,209
Note receivable	19,709,500	19,709,500
Prepaid assets	191,642	147,105
Food inventory	6,238,006	4,678,421
Investments	4,000,000	2,314,902
Cash - restricted for warehouse expansion	4,250,799	13,711,963
Property and equipment, net	26,161,033	13,788,498
Total Assets	\$ 79,364,856	\$ 61,377,192
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 3,041,614	\$ 721,739
Accrued expenses	382,341	193,057
Agency deposits	59,486	58,945
Notes payable	26,530,000	26,530,000
Total Liabilities	30,013,441	27,503,741
Net Assets		
Unrestricted		
Undesignated	39,221,415	33,098,451
Board-designated endowment	4,000,000	--
Total Unrestricted	43,221,415	33,098,451
Temporarily restricted	6,130,000	775,000
Total Net Assets	49,351,415	33,873,451
Total Liabilities and Net Assets	\$ 79,364,856	\$ 61,377,192

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

San Antonio Food Bank, Inc. and SAFB Real Estate, Inc.

Combined Statements of Activities and Changes in Net Assets

For the Years Ended June 30,

	2013			2012		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
Support and Revenue						
Donated food	\$ 88,378,705	--	\$ 88,378,705	\$ 75,464,081	--	\$ 75,464,081
Governmental funding authorities	6,784,811	--	6,784,811	6,803,648	--	6,803,648
Contributions	11,337,873	5,830,000	17,167,873	6,272,375	775,000	7,047,375
Shared maintenance	913,333	--	913,333	922,530	--	922,530
Revenue from purchased food	962,949	--	962,949	1,068,373	--	1,068,373
United Way	840,399	--	840,399	785,980	--	785,980
Other	985,209	--	985,209	359,459	--	359,459
Special events - net of direct benefit	877,220	--	877,220	917,926	--	917,926
Change in fair value, investment in charitable trust	--	--	--	(21,675)	--	(21,675)
Unrealized gain on investments	92,940	--	92,940	78,889	--	78,889
Realized gain (loss) on investments	1,088	--	1,088	(33,959)	--	(33,959)
Gain on sale of equipment	--	--	--	8,234	--	8,234
In-kind donations	30,417	--	30,417	89,560	--	89,560
Investment income	136,813	--	136,813	8,348	--	8,348
Net assets released from restrictions	475,000	(475,000)	--	192,500	(192,500)	--
Total Support and Revenue	111,816,757	5,355,000	117,171,757	92,916,269	582,500	93,498,769
Expenses						
Program services	99,217,983	--	99,217,983	88,335,956	--	88,335,956
Management and general	1,130,192	--	1,130,192	1,109,526	--	1,109,526
Fundraising	1,345,618	--	1,345,618	1,134,406	--	1,134,406
Total Expenses	101,693,793	--	101,693,793	90,579,888	--	90,579,888
Change in Net Assets	10,122,964	5,355,000	15,477,964	2,336,381	582,500	2,918,881
Net assets, beginning of year	33,098,451	775,000	33,873,451	30,762,070	192,500	30,954,570
Net Assets, End of Year	\$ 43,221,415	6,130,000	\$ 49,351,415	\$ 33,098,451	775,000	\$ 33,873,451

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

San Antonio Food Bank, Inc. and SAFB Real Estate, Inc.

Combined Statements of Functional Expenses

For the Years Ended June 30,	2013				2012			
	Program Services	Management and General	Fundraising	Totals	Program Services	Management and General	Fundraising	Totals
Food Expense								
Distributed food	\$ 88,661,586	--	--	\$ 88,661,586	\$ 78,880,316	--	--	\$ 78,880,316
Employee Expenses								
Salaries and wages	5,179,700	722,698	624,770	6,527,168	4,832,486	721,619	522,248	6,076,353
Health insurance and other benefits	922,547	59,563	16,441	998,551	811,289	155,747	56,479	1,023,515
Payroll taxes and workers' compensation	416,807	110,299	65,579	592,685	499,832	60,818	54,238	614,888
Total Employee Expenses	6,519,054	892,560	706,790	8,118,404	6,143,607	938,184	632,965	7,714,756
Other Expenses								
Rental and maintenance of equipment	587,807	9,789	2,596	600,192	645,836	5,614	1,233	652,683
Occupancy and product storage	498,781	28,657	23,076	550,514	551,895	15,402	18,232	585,529
Supplies and food items	822,438	11,682	12,118	846,238	396,231	9,520	27,695	433,446
Printing and publications	64,685	5,139	234,086	303,910	73,539	8,637	187,078	269,254
Other expenses	548,372	53,672	104,731	706,775	246,254	35,871	94,019	376,144
Travel and transportation	88,663	35,862	33,487	158,012	121,765	36,786	20,947	179,498
Insurance	108,694	8,049	6,027	122,770	84,865	9,342	10,590	104,797
Postage and shipping	34,631	6,459	179,968	221,058	70,861	1,691	109,337	181,889
Professional fees and dues	75,291	54,539	9,841	139,671	60,084	25,084	6,409	91,577
Interest	--	--	--	--	--	5,835	--	5,835
Telephone	71,455	11,581	12,229	95,265	96,897	7,015	9,394	113,306
Affiliation dues	55,015	3,926	6,874	65,815	44,549	3,791	4,501	52,841
Total Other Expenses	2,955,832	229,355	625,033	3,810,220	2,392,776	164,588	489,435	3,046,799
Total Expenses before Depreciation and Amortization	98,136,472	1,121,915	1,331,823	100,590,210	87,416,699	1,102,772	1,122,400	89,641,871
Depreciation and amortization	1,081,511	8,277	13,795	1,103,583	919,257	6,754	12,006	938,017
Total Expenses	\$ 99,217,983	1,130,192	1,345,618	\$ 101,693,793	\$ 88,335,956	1,109,526	1,134,406	\$ 90,579,888

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

**San Antonio Food Bank, Inc.
and SAFB Real Estate, Inc.**

Combined Statements of Cash Flows

<i>For the Years Ended June 30,</i>	2013	2012
Cash Flows from Operating Activities		
Change in net assets	\$ 15,477,964	\$ 2,918,881
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and amortization	1,103,583	938,017
Bad debt expense	22,900	--
Change in fair value, investment in charitable trust	--	21,675
Realized and unrealized (gain) on investments	(94,028)	(44,930)
(Gain) on sale of equipment	--	(8,234)
Change in Operating Assets and Liabilities:		
Pledges receivable	(4,055,000)	(526,900)
Accounts receivable	(45,189)	557,861
Prepaid assets	(44,537)	(14,325)
Food inventory	(1,559,585)	611,480
Accounts payable	2,319,875	405,901
Accrued expenses	189,284	(149,008)
Agency deposits	541	2,052
Total Adjustments	(2,162,156)	1,793,589
Net Cash Provided by Operating Activities	13,315,808	4,712,470
Cash Flows from Investing Activities		
Funds advanced for note receivable	--	(19,709,500)
Investment purchases	(4,000,000)	(35,098)
Proceeds from the sale of investments	2,408,930	288,316
Proceeds from the sale of equipment	--	8,234
Purchase of property and equipment	(13,476,118)	(2,195,831)
Net Cash (Used in) Investing Activities	(15,067,188)	(21,643,879)
Cash Flows from Financing Activities		
Proceeds from notes payable	--	26,530,000
Net Cash Provided by Financing Activities	--	26,530,000
(Decrease) Increase in Cash and Cash Equivalents	(1,751,380)	9,598,591
Cash and cash equivalents, beginning of year	18,542,657	8,944,066
Cash and Cash Equivalents, End of Year	\$ 16,791,277	\$ 18,542,657

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

San Antonio Food Bank, Inc. and SAFB Real Estate, Inc.

Combined Notes to Financial Statements

1. Nature and Activities of Significant Accounting Policies

Organization and Mission

The San Antonio Food Bank, Inc. (SAFB) was incorporated in Texas on March 24, 1980 and is a clearinghouse which acquires and redistributes food to qualified agencies in San Antonio and surrounding counties. SAFB is supported primarily by contributions, governmental funding authorities, shared maintenance, and the United Way.

SAFB Real Estate, Inc. (SAFBRE) was organized in 2012 by SAFB as a Texas corporate entity to acquire the present facility and construct the expansion of the current building for future use by SAFB. Both SAFB and SAFBRE share a common Board of Directors (Board) and, as such, are combined in these financial statements.

Basis of Combination

These financial statements include the Combined Statements of Financial Position, Activities and Changes in Net Assets, Functional Expenses and Cash Flows for SAFB and SAFBRE, collectively known as the Food Bank. All balances and transactions between the combined entities have been eliminated.

Accounting principles generally accepted in the United States of America (GAAP) require that a non-profit organization combine its financial statements with another non-profit entity when the organization controls another non-profit entity through majority voting interest and economic interest. Such is the case with SAFB and SAFBRE.

Basis of Presentation

The accompanying combined financial statements have been prepared on the accrual basis of accounting in accordance with GAAP.

Net Assets

Net assets, revenue, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted - Net assets that are not subject to donor-imposed restrictions. The unrestricted board-designated endowment net asset is set up by the SAFB Board for enhancing the overall operational performance of the Food Bank through continuing financial support.

Temporarily Restricted - Net assets that consist of contributions that are subject to donor-imposed restrictions that will be met by the actions of the Food Bank and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

San Antonio Food Bank, Inc. and SAFB Real Estate, Inc.

Combined Notes to Financial Statements

1. Nature and Activities of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Fair Value of Financial Instruments

Fair value is defined in the Financial Accounting Standards Board's (FASB) Accounting Standards Board (ASC) 820-10 *Fair Value Measurements and Disclosures Topic*, which establishes a three-level hierarchy for disclosure of fair value measurements, and expands disclosures about fair value measurements. An instrument's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Level 1 - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Inputs that include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions as there is little, if any, related market activity.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and temporary investments with an original maturity of three months or less.

Investments

Investments are carried at market value, and realized and unrealized gains and losses are reflected on the Statements of Activities and Changes in Net Assets. Investments acquired by gift are fair valued at amounts representing fair market value at the date of the gift.

Inventory

Inventory consists primarily of canned goods, produce and durable household goods. Food inventory is valued at the weighted average wholesale value per pound (\$1.69 and \$1.66 as of June 30, 2013 and 2012, respectively) as determined by an annual study performed by Feeding America (a national organization of food banks).

Purchased inventory value is determined using the first-in, first-out method. Purchased inventory included in food inventory totaled \$499,393 and \$881,440 for the years ended June 30, 2013 and 2012, respectively.

**San Antonio Food Bank, Inc.
and SAFB Real Estate, Inc.**

Combined Notes to Financial Statements

1. Nature and Activities of Significant Accounting Policies (Continued)

Shipping and Handling

Shipping and handling costs are insignificant to the financial statements and are expensed as a program expense when incurred in the Statements of Activities and Changes in Net Assets, and as other expenses in the Statements of Functional Expenses.

Property and Equipment

The Food Bank's policy is to capitalize property and equipment in excess of \$1,000. Property and equipment are stated at historical cost. Donated property and equipment are recorded as contributions at their estimated fair value when received. 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 into service. Property and equipment are depreciated on a straight-line basis over the useful life of the assets which range from three to forty years. When assets are sold or otherwise disposed of, the assets and related accumulated depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred.

Accounts Receivable

Accounts receivable consist primarily of amounts due from the federal government and the city of San Antonio, and qualified agencies in San Antonio and surrounding counties. The Food Bank uses the allowance method for estimating doubtful accounts, as required by GAAP.

Revenue Recognition

In accordance with GAAP, revenue is recorded when earned rather than when received. The following summarizes the revenue recognition policies for major classifications of revenue:

Donated Food - Donated food is accounted for by weight throughout the fiscal year and valued at fiscal year-end using an average per pound of food as determined on an annual basis by Feeding America.

Government Funding - Government funding is either recorded when advances are received or when expenses are incurred, as is the case on reimbursement grants.

Contributions - The Food Bank records contributions when an unconditional pledge or an asset is received, whichever comes first, and is recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

**San Antonio Food Bank, Inc.
and SAFB Real Estate, Inc.**

Combined Notes to Financial Statements

1. Nature and Activities of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Contributions received and expended in the same fiscal year are recorded as unrestricted contributions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets. 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 Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Shared Maintenance - The Food Bank distributes a certain portion of its food to qualified agencies in San Antonio and surrounding counties for \$0.15 per pound. The revenue is recorded on the accrual basis and is referred to as shared maintenance in the accompanying Statements of Activities and Changes in Net Assets.

Purchased Food - The Food Bank recognizes, as purchased food revenue, a \$0.10 per pound handling charge for foods specifically purchased for, and distributed to, qualified agencies in San Antonio and surrounding counties to provide nutritional needs, when those foods are not received through donation. This revenue is recorded on the accrual basis.

United Way - Contributions from United Way are allocated annually in July and are recorded by the Food Bank on an accrual basis.

In-kind Donations - In-kind donations consist of donated services and materials. Donated services and materials are recorded if the services and/or materials (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Food Bank. Donated services and materials totaled \$30,417 and \$89,560 for the years ended June 30, 2013 and 2012, respectively. Volunteers donated significant amounts of their time to the Food Bank's programs and fundraising campaigns, which does not meet the criteria for in-kind donations, as described above, and are therefore not recognized as contributions in the financial statements.

Allocated Expenses

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

Advertising Expenses

The Food Bank expenses advertising costs as incurred, including them in other expenses.

Tax Status

SAFB and SAFBRE are not-for-profit corporations exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the IRC), and is not a private foundation as defined by Section 509(a)(1) of the IRC.

San Antonio Food Bank, Inc. and SAFB Real Estate, Inc.

Combined Notes to Financial Statements

1. Nature and Activities of Significant Accounting Policies (Continued)

Tax Status

The Food Bank adopted the provisions of FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes* (now codified as ASC 740-10), on July 1, 2007. The implementation of FIN 48 had no impact on the Food Bank's financial statements. The Food Bank does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any related liability. Additionally, the Food Bank has filed Internal Revenue Service Form 990 tax return, as required.

Debt Issuance Costs

Debt Issuance Costs represent costs incurred related to the issuance of the new market tax credits (NMTTC) notes payable, and are amortized over the term of the debt.

Note Receivable

The note receivable, totaling \$19,709,500 at June 30, 2013 and 2012, is reported at its outstanding balance and is considered to be fully collectible. 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 the 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.

2. Concentrations of Credit Risk

Financial instruments which potentially subject the Food Bank to a concentration of credit risk principally consist of cash and cash equivalents, investments, and accounts receivable. Cash and cash equivalents on deposit with financial institutions as of June 30, 2013 and 2012 amounted to \$16,790,894 and \$18,542,657, respectively.

The Food Bank maintains cash balances with federally insured institutions. Beginning January 1, 2013, all of a depositor's accounts at an insured depository institution, including all non-interest-bearing transaction accounts, are insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000 for each deposit insurance ownership category. At June 30, 2013, the Food Bank held approximately \$17,336,471 in uninsured funds. The Food Bank has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

3. Pledges Receivable

Pledges receivable as of June 30, 2013 and 2012 amounted to \$4,830,000 and \$797,900, respectively.

Pledges receivable are expected to be collected as follows during the years ending June 30:

2013	\$ 2,470,000
2014	2,170,000
2015	70,000
2016	70,000
2017	50,000
	<hr/>
	\$ 4,830,000

**San Antonio Food Bank, Inc.
and SAFB Real Estate, Inc.**

Combined Notes to Financial Statements

3. Pledges Receivable (Continued)

Pledges receivable considered to be long-term have not been discounted due to their insignificance to the financial statements taken as a whole.

Pledges receivable are recognized as revenue in the period pledged. Management has determined that an allowance for uncollectible promises to give amounting to \$22,900 and \$0 was provided for as of June 30, 2013 and 2012, respectively, based upon their inquiries and contact with donors.

4. Note Receivable

SAFB entered into an agreement on June 19, 2012 to lend \$19,709,500 to US Bancorp Community Development Corporation (US Bancorp). The note is secured by US Bancorp's continuing first priority interest in and to all of US Bancorp's right, title and equity interest in TMF Sub-CDE VII, LLC and NNMF Sub-CDE XVI, LLC. The interest rate on the note is fixed at 1.93317%. Interest is payable quarterly beginning October 2012 until June 30, 2042. All principal and unpaid interest are due and payable on June 30, 2042. Interest earned as of June 30, 2013 and 2012 amounted to \$102,338 and \$21,168, respectively. The Food Bank may accelerate the maturity date of the note to December 2019 with 30 days notice to US Bancorp.

At any time during the period beginning at the end of the Tax Credit Investment period and ending six (6) months after the investor receives notice from the purchaser, US Bancorp can exercise its put option to sell its interest in the NMTC Fund to SAFB for \$1,000. After exercising its option to purchase the interest in the NMTC, SAFB can cancel the NMTC note payable.

5. Investments

As of June 30, 2012, Investments consist of a beneficial interest held by San Antonio Area Foundation (SAAF). SAAF has no variance power over the funds and funds are distributed to the Food Bank upon request. In fiscal year 2013, the Food Bank withdrew its investment held by SAAF to set up an endowment fund.

An analysis of investments held at June 30 is summarized as follows:

	2013		2012	
	Cost	Fair Value	Cost	Fair Value
Unrestricted Investments:				
Board-designated endowment	\$ 4,000,000	\$ 4,000,000	\$ --	\$ --
Investment held by SAAF	--	--	2,144,536	2,314,902
	\$ 4,000,000	\$ 4,000,000	\$ 2,144,536	\$ 2,314,902

**San Antonio Food Bank, Inc.
and SAFB Real Estate, Inc.**

Combined Notes to Financial Statements

6. Fair Value Measurements

The Food Bank's financial instruments are valued in accordance with the *Fair Value Measurements and Disclosures Topic* of the FASB, ASC 820-10.

Following is a description of the valuation methodologies used for assets measured at fair value:

The Food Bank's Board-designated endowment investment consists of cash held in a government money fund.

Investments held by SAAF consist of mutual funds and bonds and are valued at the unitized fair value of the underlying assets. Unitized fair value is based upon trading values on the open exchange for mutual funds and bonds. These investments were liquidated in total during the fiscal year. These investments were commingled with the other funds of SAAF and are considered a pooled interest investment, which is considered a Level 2 investment.

The following table sets forth, by level within the fair value hierarchy, the Food Bank's investments at fair value as of June 30:

<u>2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Board-designated endowment	\$ 4,000,000	--	--	\$ 4,000,000
Total	\$ 4,000,000	--	--	\$ 4,000,000

<u>2012</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment held by SAAF	\$ --	2,314,902	--	\$ 2,314,902
Total	\$ --	2,314,902	--	\$ 2,314,902

**San Antonio Food Bank, Inc.
and SAFB Real Estate, Inc.**

Combined Notes to Financial Statements

7. Property and Equipment

Property and equipment consisted of the following at June 30:

	2013	2012
Building and improvements	\$ 9,971,556	\$ 9,617,597
Vehicles	3,307,928	3,088,150
Equipment	1,494,930	1,451,808
Furniture	621,250	522,405
Intangible assets	83,080	66,836
Total Capitalized Costs	15,478,744	14,746,796
Less: Accumulated depreciation and amortization	(4,794,523)	(3,849,000)
	10,684,221	10,897,796
Construction in progress	14,514,241	1,928,131
Land	962,571	962,571
	15,476,792	12,825,927
Property and Equipment - Net	\$ 26,161,033	\$ 13,788,498

8. Accrued Expenses

Accrued expenses are summarized as follows at June 30:

	2013	2012
Accrued payroll	\$ 283,071	\$ 152,569
Accrued 403(b) plan contribution	34,185	9,059
Accrued unqualified retirement plan contribution	21,000	21,000
Accrued Interest	43,765	5,835
Sales taxes	320	4,594
	\$ 382,341	\$ 193,057

9. Retirement Plans

The Food Bank has a qualified retirement plan for the benefit of eligible employees. The plan is available to employees who work at least 20 hours per week, and is available immediately after beginning employment. The plan has an employer match provision of up to 7% of employee salary deferrals. The Food Bank's contributions to the plan were \$249,833 and \$257,381 for the years ended June 30, 2013 and 2012, respectively.

**San Antonio Food Bank, Inc.
and SAFB Real Estate, Inc.**

Combined Notes to Financial Statements

9. Retirement Plans (Continued)

Effective May 15, 2009, the Food Bank created an unqualified, unfunded retirement plan to encourage executive personnel to remain with the Food Bank for a ten-year period. The plan stipulates that Board-selected personnel accumulated an initial unvested benefit of \$100,000 on May 15, 2009 and an additional benefit of 10% of base pay each July 31, beginning in 2009 and extending through 2018. Vesting in the benefit was 30% through July 31, 2011, and then increased 10% per year through July 31, 2018. Selected personnel are entitled to 100% of eligible benefits to date upon involuntary termination, or to vested eligible benefits upon voluntary termination. The Food Bank may terminate the retirement plan at any time. The Food Bank has recorded a liability of \$21,000 as of June 30, 2013 and 2012, for the vested benefit. The plan is currently unfunded.

The Food Bank has entered into an agreement for an unqualified, unfunded 457(b) retirement plan. This plan was intended to add additional retirement benefits for only the key personnel at the Food Bank. Selected personnel are entitled to 100% of eligible benefits to date upon involuntary termination, or to eligible benefits upon voluntary termination. Contributions to the plan are voluntary and the Food Bank may terminate the retirement plan at any time.

10. Restrictions on Net Assets

Temporarily restricted net assets have donor or grantor-imposed restrictions which must be met. Temporarily restricted net assets are summarized as follows at June 30:

	2013	2012
Healthy Eating for Healthy Families Initiative	\$ 600,000	\$ 600,000
Kitchen Table	--	175,000
Capital improvements	5,000,000	--
Mobile Farmers' Market	200,000	--
Transportation of food	250,000	--
Grocery Rescue Program	80,000	--
	\$ 6,130,000	\$ 775,000

Temporarily restricted net assets were released from restriction through satisfaction of donor requirements as follows at June 30:

	2013	2012
Healthy Eating for Healthy Families Initiative	\$ 300,000	\$ --
Kitchen Table	175,000	125,000
SFSP Program	--	50,000
Summer Meals Program	--	10,000
Kid's Café Program	--	7,500
	\$ 475,000	\$ 192,500

**San Antonio Food Bank, Inc.
and SAFB Real Estate, Inc.**

Combined Notes to Financial Statements

11. New Market Tax Credits Notes Payable

SAFBRE, a Qualified Active Low-Income Community Business and a SAFB affiliate organization, executed a loan agreement on June 19, 2012 that provides for borrowings of \$13,790,000 and \$12,740,000 from NNMF Sub-CDE XVI, LLC and TNF Sub-CDE VIII, LLC, respectively. The loans are intended to finance the acquisition and expansion of the Food Bank 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 and security agreement filing on this property, and a guaranty by SAFB’s obligations under the loan agreement.

Pursuant to the issuance of the NMTC Financing Commitment, SAFBRE is required to maintain certain funds for the expansion project. At June 30, 2013 and 2012, \$2,964,835 and \$12,311,713, respectively, is held at US Bancorp for this purpose.

Under the terms of the loan agreement, each loan has an interest rate of 0.65985% per annum, payable quarterly, beginning October 1, 2012, and the principal balance is due in its entirety on the stated maturity dates. SAFBRE is not permitted to prepay any portion of the loans in whole or in part until the seventh anniversary of the loans. The outstanding balances on the notes payable, maturity dates, and repayment terms are disclosed below:

	Amount
Note payable to NNMF Sub-CDE XVI, LLC, matures on June 30, 2042, with principal payments commencing in September 2019.	\$ 10,152,333
Note payable to NNMF Sub-CDE XVI, LLC, matures on June 30, 2042, with principal payments commencing in September 2019.	3,637,667
Note payable to TMF Sub-CDE VIII, LLC, matures on June 30, 2042, with principal payments commencing in September 2019.	9,557,167
Note payable to TMF Sub-CDE VIII, LLC, matures on June 30, 2042, with principal payments commencing in September 2019.	3,182,833
Total New Market Tax Credits Notes Payable	\$ 26,530,000

NMTC notes payable, at June 30, 2013 are due as follows:

2014	\$	--
2015		--
2016		--
2017		--
2018		--
Thereafter through 2042		26,530,000
Total Notes Payable	\$	26,530,000

**San Antonio Food Bank, Inc.
and SAFB Real Estate, Inc.**

Combined Notes to Financial Statements

12. Contingencies

Accounts receivable due from governmental units are dependent upon the continued funding of those governmental units. The Food Bank performs ongoing credit evaluations of agencies.

Corporate and individual contributions are dependent upon various factors, such as grant writing and public support. United Way revenue is subject to compliance with applicable guidelines promulgated by the United Way, and other factors, some of which are not within the control of the Food Bank. Government revenue is 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 revenue is 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.

13. Subsequent Events

Subsequent events have been evaluated through November 4, 2013, which is the date the financial statements were available to be issued.