

COASTAL BEND FOOD BANK
FINANCIAL STATEMENTS AND
OTHER SUPPLEMENTAL INFORMATION

August 31, 2020 and 2019

COASTAL BEND FOOD BANK

TABLE OF CONTENTS

	<u>Pages</u>
INDEPENDENT AUDITORS' REPORT	1 – 2
FINANCIAL STATEMENTS:	
Statements of Financial Position	3
Statements of Activities	4 – 5
Statements of Functional Expenses	6 – 7
Statements of Cash Flows	8
Notes to the Financial Statements	9 – 24
SINGLE AUDIT ACT COMPLIANCE:	
Schedule of Expenditures of Federal Awards	25
Notes to the Schedule of Expenditures of Federal Awards	26
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>	27 – 28
Independent Auditors' Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	29 – 30
Schedule of Findings and Questioned Costs	31
Schedule of Prior Year Findings and Questioned Costs	32

GF Valdez, P.C.

A Public Accounting Firm

5430 Holly Road, Suite 1
Corpus Christi, Texas 78411
Phone 361-991-1650
Fax 361-991-1655

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Coastal Bend Food Bank
Corpus Christi, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Coastal Bend Food Bank (the Food Bank), which comprise the statements of financial position as of August 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

GF Valdez, P.C.

A Public Accounting Firm

5430 Holly Road, Suite 1
Corpus Christi, Texas 78411
Phone 361-991-1650
Fax 361-991-1655

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Coastal Bend Food Bank as of August 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits 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 schedule of expenditures of federal awards 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 May 19, 2021, on our consideration of Coastal Bend 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 Coastal Bend Food Bank's internal control over financial reporting and compliance.

GF Valdez, P.C.

May 19, 2021
Corpus Christi, Texas

COASTAL BEND FOOD BANK
STATEMENTS OF FINANCIAL POSITION
August 31, 2020 and 2019

	2020	2019
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 666,563	\$ 380,308
Investments	7,350,334	4,073,526
Accounts receivable - government grants and contracts	273,127	72,350
Accounts receivable - agencies	29,920	52,221
Donated food inventory, net of food waste	1,373,925	1,124,558
Purchased food inventory	74,832	30,931
Other assets	50	50
Total Current Assets	9,768,751	5,733,944
Beneficial interest in assets held by		
Coastal Bend Community Foundation	957,682	965,941
Property and equipment, net		
of accumulated depreciation	1,818,776	1,938,981
Total Assets	\$ 12,545,209	\$ 8,638,866
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Current Liabilities		
Accounts payable	\$ 103,865	\$ 5,394
Deferred revenue - maintenance fees	42,084	43,096
Current portion - Paycheck Protection Program (PPP) note	227,535	-
Total Current Liabilities	373,484	48,490
Notes payable, net of current portion	141,865	-
Total Liabilities	515,349	48,490
Net Assets		
Without donor restrictions	7,356,882	6,292,718
With donor restrictions	4,672,978	2,297,658
Total net assets	12,029,860	8,590,376
Total Liabilities and Net Assets	\$ 12,545,209	\$ 8,638,866

See accompanying notes.

COASTAL BEND FOOD BANK
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Grants:			
USDA commodities	\$ -	\$ 8,463,993	\$ 8,463,993
Emergency management assistance	2,098,600	-	2,098,600
USDA administrative cost reimbursement	500,308	-	500,308
USDA nutrition education	152,273	-	152,273
Mobile pantry income	135,412	-	135,412
Neighborhood diabetes program	126,715	2,800	129,515
TFBN Outreach reimbursement	73,912	-	73,912
Produce	-	50,000	50,000
Total grants	3,087,220	8,516,793	11,604,013
Value of donated food inventory, net of food scrapped of \$534,331	10,582,174	-	10,582,174
Disaster relief	147,116	2,059,973	2,207,089
Donations and private grants	1,170,043	653,200	1,823,243
Emergency management assistance commodities	-	1,428,195	1,428,195
Handling fees	867,762	-	867,762
Change in value of amount held with Coastal Bend Community Foundation	317,922	-	317,922
Unrealized gain on investments	253,283	-	253,283
Dividend and interest income	155,170	-	155,170
Special events, net of expenses of \$15,536	136,239	-	136,239
Realized gains on sales of investments	29,846	-	29,846
Miscellaneous income	27,763	-	27,763
Net assets released from restrictions	10,282,841	(10,282,841)	-
Total revenues, gains and other support	27,057,379	2,375,320	29,432,699
Expenses:			
Program expenses	25,312,336	-	25,312,336
Supporting services:			
Administrative	551,283	-	551,283
Fundraising	129,596	-	129,596
Total expenses	25,993,215	-	25,993,215
Increase in Net Assets	1,064,164	2,375,320	3,439,484
Net Assets, August 31, 2019	6,292,718	2,297,658	8,590,376
Net Assets, August 31, 2020	\$ 7,356,882	\$ 4,672,978	\$ 12,029,860

See accompanying notes.

COASTAL BEND FOOD BANK
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Grants:			
USDA commodities	\$ -	\$ 5,533,338	\$ 5,533,338
USDA nutrition education reimbursement	169,086	-	169,086
USDA administrative cost reimbursement	191,905	-	191,905
Neighborhood diabetes program	116,567	37,500	154,067
Produce	-	50,000	50,000
TFBN Outreach reimbursement	50,996	-	50,996
Mobile pantry income	24,522	-	24,522
Emergency management assistance	-	12,500	12,500
Total grants	553,076	5,633,338	6,186,414
Value of donated food inventory, net of food scrapped of \$351,946	11,147,151	-	11,147,151
Donations and private grants	888,879	1,007,801	1,896,680
Handling fees	551,475	-	551,475
Special events, net of expenses of \$47,516	175,169	-	175,169
Dividend and interest income	109,347	-	109,347
Change in value of amount held with Coastal Bend Community Foundation	(7,086)	-	(7,086)
Realized gain on sales of investments	3,481	-	3,481
Unrealized gain on investments	24,258	-	24,258
Miscellaneous income	21,572	-	21,572
Net assets released from restrictions	6,087,570	(6,087,570)	-
Total revenues, gains and other support	19,554,892	553,569	20,108,461
Expenses:			
Program expenses	18,615,445	-	18,615,445
Supporting services:			
Administrative	529,394	-	529,394
Fundraising	150,045	-	150,045
Total expenses	19,294,884	-	19,294,884
Other Income (Expense):			
Loss on disposal of property and equipment	(2,111)	-	(2,111)
Increase in Net Assets	257,897	553,569	811,466
Net Assets, August 31, 2018	6,034,821	1,744,089	7,778,910
Net Assets, August 31, 2019	\$ 6,292,718	\$ 2,297,658	\$ 8,590,376

See accompanying notes.

COASTAL BEND FOOD BANK
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2020

	Program Services	Supporting Services		Total	Total Expenses
		Administrative	Fundraising		
Food distributed	\$ 20,625,674	\$ -	\$ -	\$ -	\$ 20,625,674
Other project expenses	1,342,707	-	-	-	1,342,707
Salaries and wages	759,935	374,296	-	374,296	1,134,231
Disaster prevention expense	1,087,148	-	-	-	1,087,148
Insurance	175,323	86,353	-	86,353	261,676
Outreach expense	250,160	-	-	-	250,160
Depreciation expense	171,378	24,482	-	24,482	195,860
Disaster relief funds expense	104,590	-	-	-	104,590
Repairs and maintenance	170,532	-	-	-	170,532
Truck and van expense	57,441	-	-	-	57,441
Nutrition education	160,257	-	-	-	160,257
Mobile pantry expenses	152,893	-	-	-	152,893
Fundraising expense	-	-	126,968	126,968	126,968
Warehouse expenses	73,744	-	-	-	73,744
Payroll tax expense	57,493	28,317	-	28,317	85,810
Utilities	70,585	10,083	-	10,083	80,668
Office expense	11,828	11,828	2,628	14,456	26,284
Membership fees	21,830	-	-	-	21,830
Professional fees	-	12,875	-	12,875	12,875
Summer feeding program	9,586	-	-	-	9,586
Bank fees	4,764	2,346	-	2,346	7,110
Postage	3,245	-	-	-	3,245
Travel expenses	702	703	-	703	1,405
Census project	521	-	-	-	521
	<u>\$ 25,312,336</u>	<u>\$ 551,283</u>	<u>\$ 129,596</u>	<u>\$ 680,879</u>	<u>\$ 25,993,215</u>

See accompanying notes.

COASTAL BEND FOOD BANK
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2019

	Program Services	Supporting Services		Total	Total Expenses
		Administrative	Fundraising		
Food distributed	\$ 16,206,012	\$ -	\$ -	\$ -	\$ 16,206,012
Salaries and wages	702,114	345,817	-	345,817	1,047,931
Disaster relief funds expense	385,105	-	-	-	385,105
Insurance	170,813	83,188	-	83,188	254,001
Outreach expense	227,366	-	-	-	227,366
Depreciation expense	168,492	22,947	-	22,947	191,439
Nutrition education	159,416	-	-	-	159,416
Fundraising	-	-	146,645	146,645	146,645
Mobile pantry expenses	128,679	-	-	-	128,679
Food purchases	106,064	-	-	-	106,064
Payroll tax expense	58,313	28,722	-	28,722	87,035
Repairs and maintenance	79,916	-	-	-	79,916
Utilities	67,596	9,656	-	9,656	77,252
Truck and van expenses	59,493	-	-	-	59,493
Office expense	15,298	15,298	3,400	18,698	33,996
Membership fees	28,776	-	-	-	28,776
Warehouse expenses	20,370	-	-	-	20,370
Summer feeding program	15,752	-	-	-	15,752
Professional fees	-	15,583	-	15,583	15,583
Travel expenses	6,215	6,215	-	6,215	12,430
Bank fees	3,995	1,968	-	1,968	5,963
Postage	2,974	-	-	-	2,974
Storage	2,447	-	-	-	2,447
Miscellaneous	239	-	-	-	239
	<u>\$ 18,615,445</u>	<u>\$ 529,394</u>	<u>\$ 150,045</u>	<u>\$ 679,439</u>	<u>\$ 19,294,884</u>

See accompanying notes.

COASTAL BEND FOOD BANK
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Increase in net assets	\$ 3,439,484	\$ 811,466
Adjustments to reconcile net assets to net cash provided by operating activities		
Depreciation	195,860	191,439
Unrealized gain on investments	(253,283)	(24,258)
Realized gains on sales of investments	(29,846)	(3,481)
Loss on disposal of property and equipment	-	2,111
In-kind contribution of food and non-food items	(21,008,693)	(17,054,470)
Distributions of in-kind food and non-food items	20,759,326	16,474,992
Decrease (increase) in beneficial interest held at Coastal Bend Community Foundation	8,259	(13,561)
Decrease (increase) in:		
Accounts receivable	(178,476)	(5,880)
Purchased inventory	(43,901)	(9,098)
Other assets	-	2,830
Increase (decrease) in:		
Accounts payable	98,471	3,509
Accrued expenses	(1,012)	7,808
	<u>2,986,189</u>	<u>383,407</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchases of investments	(4,043,692)	(1,779,405)
Redemption of investments	1,050,013	1,805,267
Purchases of property and equipment	(75,655)	(240,945)
	<u>(3,069,334)</u>	<u>(215,083)</u>
Net cash used in investing activities		
Cash flows from financing activities:		
Proceeds from paycheck protection program loan	369,400	-
	<u>369,400</u>	<u>-</u>
Net cash provided by financing activities		
Net change in cash	286,255	168,324
Cash at beginning of year	<u>380,308</u>	<u>211,984</u>
Cash at end of year	<u>\$ 666,563</u>	<u>\$ 380,308</u>

See accompanying notes.

COASTAL BEND FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2020 and 2019

NOTE 1 – NATURE OF ACTIVITIES

The Coastal Bend Food Bank (the Food Bank) is a Texas non-profit Corporation that began operations on September 1, 1982. The Food Bank's purpose is to collect and warehouse salvageable food, which has been donated by organizations and businesses, and distribute it to other non-profit agencies (agencies) which feed and distribute food to low-income families and individuals. The Food Bank services agencies within an eleven-county area of South Texas. Funding is provided primarily by donated commodities obtained from a nationwide network of sources including supermarket chains, the United States Department of Agriculture and food drives. The value of food and non-perishable items received from supermarket chains was \$4,803,258 and \$6,705,652, (16% and 27% of revenues), for the years ended August 31, 2020 and 2019, respectively.

The U.S. Department of Agriculture (USDA) is administering a Trade Mitigation Food Purchase and Distribution Program (Trade Mitigation Food Program) to purchase up to \$1.2 billion in USDA Foods. The bulk of this food is being distributed through The Emergency Food Assistance Program (TEFAP), which is USDA's primary outlet for foods purchased through market support mechanisms. The Food Bank distributed 2,802,124 pounds of food under the Trade Mitigation Food Program for the year ending August 31, 2020.

Beginning in the Spring of 2020, under the statutory authority of the CARES Act, the USDA through the Texas Department of Agriculture (TDA) is administering a program to reimburse incurred costs of distribution USDA foods relating to the COVID-19 crisis. The bulk of this food is being distributed through TEFAP, which is USDA's primary outlet for foods purchased through market support mechanisms. Additionally, USDA is making CARES funds available to assist with the operational costs of the receipt, storage and distribution of these foods. The Food Bank received \$139,056 of CARES funds for the year ending August 31, 2020.

In the Spring of 2020, under the statutory authority of the Texas Government Code, Chapter 418 and the CARES, the U.S. Department of Homeland Security (USDHS) through the Texas Division of Emergency Management (TDEM) and the Texas A&M University System, an agency of the State of Texas, are administering a program to purchase and distribute food as an emergency protective measure related to the COVID-19 crisis. The food is purchased under the rules and regulations of the Federal Emergency Management Agency (FEMA) Public Assistance Program. The Food Bank received \$2,086,600 of funding through this program for the year ending August 31, 2020.

Below is a summary of the principal programs administered by the Food Bank:

1. Kids Backpack Program – The Backpack Program provides a bag of nutritious food each Friday during the school year, for children identified as food insecure, in order to have food during the weekends and holidays. It is the Food Bank's goal to end childhood hunger in the Coastal Bend.

COASTAL BEND FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2020 and 2019

NOTE 1 – NATURE OF ACTIVITIES (Continued)

2. **Mobile Pantry Program** – The Mobile Pantry department consists of two drivers who deliver and help distribute food to rural communities where residents have little to no access to pantries. Distributions occur 25 times a month in 11 counties throughout the Coastal Bend.
3. **Non-Agency Drops program** – The Non-Agency Drops Program is designed to deliver fresh produce to food insecure families who would not have access to such products otherwise.
4. **Nutrition Education Program** – The Food Bank has a team of nutrition educators and registered dietitians who inspire change in food choices and behaviors of children and adults so they can live healthier lives. The Food Bank emphasizes a lifestyle rich in whole foods such as vegetables, fruits, whole grains and lean meats and teach how eating healthy does not have to be expensive.
5. **Social Services Program** – The Food Bank assists clients to complete applications for SNAP, Long Term Care for Seniors, CHIPS, Medicaid, TANF, and Medicare Savings Programs in local and rural counties so families can get the help they need.
6. **Diabetes Education Program** – Diabetes staff work directly with people who have diabetes or may have pre-diabetes by teaching better eating habits and ways to control sugar levels. Classes consist of day and night classes.
 - **Diabetes Hands On** – An 8-week American Diabetes self-management program empowering people with diabetes and pre-diabetes to take control of their health. Both morning and evening classes are offered.
 - **Diabetes Pantry Program** – Offered to people with diabetes who are also living with food insecurity. Healthy shelf stable items, lean protein and dairy, fresh produce along with diabetes education classes are provided.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Food Bank prepares its financial statements under the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

The Food Bank is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

COASTAL BEND FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2020 and 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expensed for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Food Bank's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Food Bank or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of cash flows, the Food Bank considers investments available for current use with an initial maturity date of three months or less to be cash equivalents. The Food Bank maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limits of up to \$250,000 under the Federal Deposit Insurance Corporation (FDIC). Management believes it is not exposed to any significant risk on cash accounts.

Shared Maintenance Fees

The Food Bank receives fees from participating agencies to assist in the costs of distributing food. These shared maintenance fees are based on predetermined rates from \$0.00 to \$0.18 per pound.

Accounts Receivable

Accounts receivable represent amounts due from agencies and others and are stated at the amount the Food Bank expects to collect for shared maintenance fees and grants from government agencies. Provision for losses on receivables is made when considered necessary to maintain an adequate allowance to cover bad debts. Receivables are charged against the allowance when the Food Bank determines that payments will not be received. Any subsequent receipts are credited to the allowance. As of August 31, 2020 and 2019, management estimates that no reserve for losses on receivables is required.

COASTAL BEND FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2020 and 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Unrealized gains or losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as an increase in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Property and Equipment

Purchased property and equipment is capitalized at cost. Donations of property and equipment are capitalized at their estimated fair value at the date contributed. Such donations are reported as contributions without donor restrictions 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 contributions with donor restrictions. 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. The Food Bank reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from three to seven years for vehicles, office furniture and equipment, and fifteen to thirty-nine years for buildings and building improvements.

Inventory

Inventory is stated at the lower of cost or market determined by the first-in, first-out method. Inventory consists of donated food and non-food items, purchased food, and commodities received from the United States Department of Agriculture (USDA). Donated food and non-food items were valued at \$1.62 and \$1.57 per pound for the years ended August 31, 2020 and 2019, respectively. This valuation is based on cost studies conducted for America's Second Harvest. Purchased food is valued at the latest purchase price. USDA commodities are valued based on published USDA fair market values. USDA commodities and FEMA purchased inventory amounts as of August 31, 2020 and 2019 are restricted to distribution programs serving low-income families and individuals. Therefore, the value of these ending inventories is reflected as a temporarily restricted asset in the statement of financial position. Accordingly, the distribution of these commodities is reflected in the statement of activities as assets released from restriction.

COASTAL BEND FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2020 and 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions and Contributed Services

Contributions received are recorded as income support without donor restrictions or as income support with donor restrictions depending on the existence and nature of any donor restrictions. Revenues and net assets are separately reported to reflect the nature of contributions, with or without donor restrictions.

The Food Bank receives a significant amount of donated services from unpaid volunteers who assist in the warehouse. However, the value of these services has not been recognized in the statement of activities since they do not meet the criteria for recognition as contributed services. The Food Bank received 42,307 hours of services from 9,588 volunteers for the year ending August 31, 2020. The Food Bank received 27,768 hours of services from 6,048 volunteers for the year ending August 31, 2019.

Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Grants	Time and effort
Salaries and benefits	Time and effort
Repairs and maintenance	Time and effort
Education and training	Time and effort
Occupancy	Time and effort
Professional services	Full-time equivalent
Travel	Time and effort
Depreciation	Square footage
Other	Time and effort

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions 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 contributions. 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. The Food Bank reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

COASTAL BEND FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2020 and 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

Advertising is used to promote the Food Bank and is expensed in the period incurred. No amounts were donated for the years ended August 31, 2020 and 2019.

Income Tax Status

The Food Bank is a not-for-profit organization that is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Code as a private foundation. Accordingly, no provision for income taxes had been made in the accompanying statements. The Food Bank's Form 990, Return of Organization Exempt from Income Tax, for the years ending August 31, 2017, 2018, and 2019 are subject to examination by the IRS, generally for three years after they were filed.

Subsequent events

Management of the Food Bank has evaluated subsequent events for disclosure through May 19, 2021, the date the financial statements were available to be issued.

Recent Pronouncements not yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those financial years. The Food Bank is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

Recent Pronouncements Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU replaces most existing revenue recognition guidance in U.S. GAAP. This standard was implemented for the fiscal year ended August 30, 2020. The majority of the Food Bank's revenues come from grants and public support. Grant revenues are currently recognized when performance obligations are met. Additionally, the public support is considered contribution revenue. There was no material change in revenue recognition due to the implementation of ASU 2014-09.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows* (Topic 230): *Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. The new standard is effective for the Food Bank's August 31, 2020 fiscal year. The adoption of ASU 2016-18 had no material impact on the financial statements.

COASTAL BEND FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2020 and 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On September 1, 2019, the Food Bank adopted the FASB ASU 2018-08, *Not-for-Profit Entities (Topic 958); Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance on determining whether a transaction with a resource provided is a contribution or an exchange transaction. Upon adoption of the standard, the Food Bank determined that grant support received through periodic claims filed with the respective funding sources is conditional upon incurring qualifying expenses and includes a right of release, and therefore should not be recorded until this barrier is overcome. Adoption of ASU 2018-08 had no impact on previously reported net assets.

NOTE 3 – RESTRICTIONS ON NET ASSETS

Capital Campaign

The Food Bank intends to acquire land and build a new facility to relocate the Food Bank's operations. This new location and building will provide more space for the Food Bank daily activities. To fund the acquisition and renovation costs, the Organization has raised support of \$31,400. The Food Bank solicited contributions through the Capital Campaign.

Net assets with donor restrictions related to the Capital Campaign total \$31,400 which have not been expended as of August 31, 2020.

Endowment Fund

The Food Bank entered into an Agency Endowment Agreement (Agreement) with the Coastal Bend Community Foundation (the Foundation) to establish an Endowment Fund (Fund) effective October 26, 1999. Under this agreement, the Fund shall be used solely for the charitable and educational purpose of the Food Bank and its programs. Net income of the Fund shall be distributed only at the Food Bank's request to the Food Bank or its designee. Distributions in excess of the net income of the Fund shall be made only to the Food Bank or its designee in any year as recommended in writing by a majority of the Food Bank's trustees and approval by the Foundation. The entire balance may be withdrawn over a three-month period. However, \$136,000 of the Fund is permanently restricted and is to be held by the Food Bank indefinitely. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. No contributions or distributions were made from the Fund for the years ended August 31, 2020 and 2019.

COASTAL BEND FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2020 and 2019

NOTE 3 – RESTRICTIONS ON NET ASSETS (Continued)

The Food Bank has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation the Food Bank classifies this as donor restricted (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SPMIFA, the Food Bank considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Food Bank and (7) the Food Bank's investment policies. The Food Bank has adopted investment and spending policies for endowment assets that attempt to subject the fund to charitable and educational purposes of the Food Bank and its programs.

The Food Bank may expend the endowment fund's investment income for charitable and educational services as needed. This is consistent with the Food Bank's objectives to collect salvageable food and distribute it to other non-profit agencies (agencies) which feed and distribute food to low-income families and individuals.

NOTE 4 – CONTINGENCIES

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Food Bank for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date. The Food Bank expects such amounts, if any, to be immaterial.

COASTAL BEND FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2020 and 2019

NOTE 5 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following represents the Food Bank’s financial assets available for general expenditures within one year at August 31, 2020 and 2019. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	2019	2018
Financial assets at year-end:		
Cash and cash equivalents	\$ 666,563	\$ 380,308
Investments	7,350,334	4,073,526
Accounts receivable	303,047	124,571
Total financial assets	8,319,944	4,578,405
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(4,672,978)	(2,297,658)
Less net assets with purpose restrictions to be met in less than a year	--	--
Financial assets available to meet general expenditures over the next twelve months	\$ 3,646,966	\$ 2,280,747

As part of the Food Bank’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 6 – INVESTMENTS

Investments consisted of the following as of August 31:

	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<u>August 31, 2020</u>				
Certificates of Deposit	\$3,889,443	\$ --	\$ --	\$ 3,889,443
Mutual Funds	3,039,460	418,788	--	3,458,248
Common Stock	2,643	--	--	2,643
	\$6,931,546	\$ 418,788	\$ --	\$ 7,350,334
<u>August 31, 2019</u>				
Certificates of Deposit	\$ 966,503	\$ --	\$ --	\$ 966,503
Mutual Funds	2,938,875	165,505	--	3,104,380
Common Stock	2,643	--	--	2,643
	\$3,908,021	\$ 165,505	\$ --	\$ 4,073,526

COASTAL BEND FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2020 and 2019

NOTE 6 – INVESTMENTS (Continued)

Net interest and dividend income for the years ending August 31, 2020 and 2019 were \$155,170 and \$109,347, respectively. Net unrealized gains of \$253,283 and \$24,258 were recorded on the books of the Food Bank for the years ended August 31, 2020 and 2019, respectively. Net realized gains of \$29,846 and \$3,481 for the years ended August 31, 2020 and 2019, respectively. Total investment return was \$438,299 and \$137,086 for the years ended August 31, 2020 and 2019, respectively.

NOTE 7 – INVENTORY

The majority of food distributed by the Food Bank is received by contributions from the general public and from the U. S. Department of Agriculture (USDA). The estimated value of these contributions is recognized in the financial statements as contribution revenue and food and other supplies or program expenses if distributed during the year. The pounds collected are recorded by the Food Bank staff at the time of receipt based on actual weight. The total value of contributed food for the years ended August 31, 2020 and 2019 is as follows:

	2020		2019	
	Pounds	Dollars	Pounds	Dollars
Donated inventory:				
Donated inventory	255,595	\$ 414,064	191,177	\$ 300,148
USDA commodities	182,661	295,911	525,102	824,410
FEMA Commodities	638,060	663,950	--	--
Produce inventory	--	--	--	--
	<u>1,076,316</u>	<u>\$1,373,925</u>	<u>716,279</u>	<u>\$ 1,124,558</u>
Purchased food inventory:				
Purchased inventory	<u>46,195</u>	<u>\$ 74,832</u>	<u>50,499</u>	<u>\$ 30,931</u>

COASTAL BEND FOOD BANK
 NOTES TO THE FINANCIAL STATEMENTS
 For the Years Ended August 31, 2020 and 2019

NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of August 31:

	<u>2020</u>	<u>2019</u>
Building and improvements	\$ 1,265,151	\$ 1,247,472
Vehicles	1,124,257	1,088,800
Warehouse and freezer	605,632	605,632
Furniture and equipment	393,989	393,989
Construction in progress - building	9,000	9,000
Land	<u>461,422</u>	<u>461,422</u>
	3,859,451	3,806,315
Less: Accumulated depreciation	<u>(2,040,675)</u>	<u>(1,867,334)</u>
Property and equipment, net	<u>\$ 1,818,776</u>	<u>\$ 1,938,981</u>

Depreciation expense for the years ended August 31, 2020 and 2019 totaled \$195,860 and \$191,439, respectively.

NOTE 9 – PAYCHECK PROTECTION PROGRAM (PPP) LOAN

On April 10, 2020, the Food Bank received a PPP loan as established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act) and facilitated by the Small Business Administrative (SBA), which provides for loans to qualifying entities for amounts up to 2.5 times the average monthly payroll expenses for the qualifying entity. The specific terms of the notes are that there will be monthly payments \$20,685 beginning November 10, 2020 at an annual rate of 1.00%. The loan matures April 10, 2022.

Under the terms of the PPP, certain amounts of the loan may be forgiven if the funds are utilized for allowed expenses. The Food Bank applied for forgiveness on December 20, 2020 and expected all amounts to be forgiven. On April 21, 2021, the total loan amount of \$369,400 was forgiven.

COASTAL BEND FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2020 and 2019

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31 were available for the following purposes:

<u>Specific Purpose</u>	<u>2020</u>	<u>2019</u>
Disaster relief – COVID-19	\$ 2,863,930	\$ --
FEMA commodities for distribution	663,950	--
Agencies	436,999	116,200
USDA commodities for distribution	295,911	824,409
Kid’s Backpack program	188,707	135,533
Endowment	136,000	136,000
Asset purchases	40,000	41,241
Capital campaign	31,400	--
Kid’s Table program	16,081	24,876
Disaster relief	--	1,006,705
Operation training	--	12,694
Total net assets with donor restrictions	<u>\$ 4,672,978</u>	<u>\$ 2,297,658</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

<u>Specific Purpose</u>	<u>2020</u>	<u>2019</u>
USDA commodities distributions	\$ 8,992,491	\$ 5,135,490
Disaster relief	938,304	497,766
Agencies	152,893	163,200
Food, freight and storage	75,662	70,000
Backpack programs	52,578	13,332
Kid’s Café program expenses	16,694	11,171
Disaster relief - TDEM	16,689	--
Operation training	12,694	--
FEMA commodities	12,000	13,007
Kid’s Table program	8,795	17,820
Neighborhood diabetes program	2,800	37,500
Asset purchases	1,241	128,284
Total net assets released from restriction	<u>\$ 10,282,841</u>	<u>\$ 6,087,570</u>

COASTAL BEND FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2020 and 2019

NOTE 11 – CONCENTRATIONS

The Food Bank receives a large portion of its food supplies from the U.S. Department of Agriculture via the Emergency Food Assistance Programs. For the years ending August 31, 2020 and 2019, these commodities comprised approximately 40% and 36%, respectively, of the total value of all donated food received.

A grant to reimburse administrative costs with the U.S. Department of Agriculture provided approximately 91% and 32% of the assistance necessary to fund the administrative operations of the Food Bank for the years ending August 31, 2020 and 2019, respectively.

NOTE 12 – CONTINGENCIES

The Food Bank receives funding or reimbursement from governmental agencies that are subject to specific compliance requirements and review and audit by the grantors or their representatives. Such audits could result in requests for reimbursement by the grantor agency for expenses disallowed under the terms and conditions specified in the grant agreements. The net effect of any disallowances or adjustments resulting from these activities could have a material effect on the Food Bank's financial position.

NOTE 13 – OPERATING LEASES

The Food Bank has non-cancelable operating leases, primarily for use of copier and postage equipment. Those leases generally contain renewal options for various periods and require the Food Bank to pay costs such as taxes, maintenance, and insurance. Total lease expense for 2020 and 2019 was approximately \$5,580. Future estimated minimum lease payments under operating leases as of August 31, 2020 totaled \$4,563 due in fiscal year 2021.

NOTE 14 – RETIREMENT PLAN

The Food Bank adopted a retirement plan (Plan) effective March 28, 2008 for all employees of the organization. Benefits depend solely on amounts contributed to the Plan plus investment earnings. Under the terms of the Plan, the Food Bank matches employee contributions to the Plan, up to 5% of the employee's salary. All employees who earn at least \$5,000 in compensation and are employed by the Food Bank for more than six months are eligible to participate. Employees are 100% vested as of the enrollment date. Total contributions by the Food Bank to the Plan were \$23,211 and \$21,376 for the years ending August 31, 2020 and 2019, respectively.

COASTAL BEND FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2020 and 2019

NOTE 15 – FAIR VALUE MEASUREMENTS

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

The three levels of the fair value hierarchy are as follows:

- Level 1 – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- Level 2 – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- Level 3 – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

The fair value measurements and levels within the fair value hierarchy of those measurements for assets and liabilities reported at fair value on a recurring basis at August 31, 2020 and 2019 are as follows:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>August 31, 2020</u>				
Certificates of Deposit	\$ 3,889,443	\$ 3,889,443	\$ --	\$ --
Mutual funds	3,458,248	3,458,248	--	--
Common Stock	2,643	2,643	--	--
Beneficial interest in assets held by the Coastal Bend Community Foundation	<u>957,682</u>	<u>957,682</u>	<u>--</u>	<u>--</u>
Total	<u>\$ 8,308,016</u>	<u>\$ 8,308,016</u>	<u>\$ --</u>	<u>\$ --</u>

COASTAL BEND FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2020 and 2019

NOTE 15 – FAIR VALUE MEASUREMENTS (Continued)

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>August 31, 2019</u>				
Certificates of Deposit	\$ 966,503	\$ 966,503	\$ --	\$ --
Mutual funds	3,104,380	3,104,380	--	--
Common Stock	2,643	2,643	--	--
Beneficial interest in assets held by the Coastal Bend Community Foundation	<u>965,941</u>	<u>965,941</u>	<u>--</u>	<u>--</u>
Total	<u>\$ 5,039,467</u>	<u>\$ 5,039,467</u>	<u>\$ --</u>	<u>\$ --</u>

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

- Investments such as certificates of deposits and common stock are valued at the closing price reported on the active market on which the individual securities are traded.
- Beneficial interest in assets held by the Coastal Bend Community Foundation are held in fixed income securities which are valued at the closing price reported on the active market.
- Mutual funds are valued at the net asset value of shares held at year end. These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values.

Furthermore, while the Food Bank believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date. The Food Bank recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the years ended August 31, 2020 and 2019.

NOTE 16 – RELATED-PARTY TRANSACTIONS

A board member of the Food Bank is an employee of a supermarket chain to which the Food Bank paid \$18,499 during 2020.

COASTAL BEND FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2020 and 2019

NOTE 17 – UNCERTAINTY

As a result of COVID-19, economic uncertainties have arisen which may negatively affect the consolidated financial position, results of operations and cash flows of the Food Bank. The uncertainties include market value fluctuations of investments and potential impact on donor contributions. The duration of these uncertainties and financial effects cannot be reasonably estimated at this time.

COASTAL BEND FOOD BANK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2020

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Passed Through Entity Identifying Number	Passed Through to Subrecipients	Receipts	Total Federal Expenditures
<u>U.S. Department of Agriculture</u>					
Passed Through the:					
<u>The Food Distribution - Cluster</u>					
Texas Department of Agriculture					
Emergency Food Assistance Program (Food Commodities)	10.569	04004	\$ -	\$ 8,463,993	\$ 8,992,491
Texas Department of Agriculture					
Emergency Food Assistance Program (Administrative Costs)	10.568	04004	-	193,136	193,136
COVID-19-funds passed through the					
Texas Department of Agriculture					
Emergency Food Assistance Program (Administrative Costs)	10.568	04004	-	139,056	139,056
Texas Department of Agriculture					
Emergency Food Assistance Program (Administrative Costs)-Disaster	10.568	04004	-	113	113
Trade Mitigation Food Purchases and Distribution Program (Administrative Costs)					
	10.178	04004	-	168,003	168,003
Total passed-through Texas Department of Agriculture				8,964,301	9,492,799
Passed Through the:					
Texas Health and Human Services Commission (THHSC)					
Supplemental Nutrition Assistance Program	10.561	529-10-0011-00003E	-	152,273	152,273
Total passed-through THHSC				152,273	152,273
Passed Through the:					
Texas Food Bank Network:					
Food Stamp Outreach	N/A	529-16-0002-00002	-	73,912	73,912
Total passed-through Texas Food Bank Network				73,912	73,912
Total U.S. Department of Agriculture				9,190,486	9,718,984
<u>U.S. Department of Homeland Security</u>					
Passed Through the:					
United Way of America					
Emergency Food and Shelter Program	97.024	828400-004	-	12,000	12,000
Total Passed-through United Way of America				12,000	12,000
Passed Through the:					
Texas Division of Emergency Management (TDEM)					
Disaster Grants-Public Assistance (Presidentially Declared Disaster):	97.036	C2020-1708	-	2,086,600	1,337,200
Total Passed-through TDEM				2,086,600	1,337,200
Total U.S. Department of Homeland Security				2,098,600	1,349,200
Total Federal Awards				\$ 11,289,086	\$ 11,068,184

See accompanying Notes to Schedule of Expenditures of Federal Awards.

COASTAL BEND FOOD BANK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2020

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Coastal Bend Food Bank (the Food Bank) under programs of the federal government for the year ended August 31, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Food Bank, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Food Bank. 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 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity indentifying numbers are presented where available.

NOTE 3 – INDIRECT COST RATE

The Food Bank has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 – FOOD DONATION

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. As of August 31, 2020, the Food Bank had \$295,911 of USDA commodities in inventory.

GF Valdez, P.C.

A Public Accounting Firm

5430 Holly Road, Suite 1
Corpus Christi, Texas 78411
Phone 361-991-1650
Fax 361-991-1655

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*

To the Board of Directors
Coastal Bend Food Bank
Corpus Christi, 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, the financial statements of Coastal Bend Food Bank (the Food Bank), which comprise the statements of financial position as of August 31, 2020, 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 May 19, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Food Bank'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 Food Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of the Food Bank'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.

GF Valdez, P.C.

A Public Accounting Firm

5430 Holly Road, Suite 1
Corpus Christi, Texas 78411
Phone 361-991-1650
Fax 361-991-1655

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Food Bank'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*.

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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

GF Valdez, P.C.

May 19, 2021
Corpus Christi, Texas

GF Valdez, P.C.

A Public Accounting Firm

5430 Holly Road, Suite 1
Corpus Christi, Texas 78411
Phone 361-991-1650
Fax 361-991-1655

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Coastal Bend Food Bank
Corpus Christi, Texas

Report on Compliance for Each Major Federal Program

We have audited Coastal Bend Food Bank's (the Food Bank) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Food Bank's major federal programs for the year ended August 31, 2020. The Food Bank's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Food Bank's major federal 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 program occurred. An audit includes examining, on a test basis, evidence about The Food Bank'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 program. However, our audit does not provide a legal determination of the Food Bank's compliance.

Opinion on Each Major Federal Program

In our opinion, the Food Bank 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 programs for the year ended August 31, 2020.

GF Valdez, P.C.

A Public Accounting Firm

5430 Holly Road, Suite 1
Corpus Christi, Texas 78411
Phone 361-991-1650
Fax 361-991-1655

Report on Internal Control Over Compliance

Management of The Food Bank 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 Food Bank's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal 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 program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Food Bank'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 federal 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 federal 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 federal 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

GF Valdez, P.C.

May 19, 2021
Corpus Christi, Texas

COASTAL BEND FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2020

A	SUMMARY OF AUDIT RESULTS	
	<u>Financial Statements</u>	
	Type of auditor's report issued:	Unmodified
	<u>Internal control over financial reporting:</u>	
	• Material Weakness Identified?	No
	• Significant Deficiencies identified not considered to be a material weakness?	No
	• Noncompliance material to the financial statements?	No
	<u>Federal Awards</u>	
	Type of auditor's report issued on compliance for major programs:	Unmodified
	<u>Internal control over major programs:</u>	
	• Material Weakness Identified?	No
	• Significant Deficiencies identified not considered to be a material weakness?	No
	• Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 501(a)?	No
	Identificaiton of major programs:	
	<u>CFDA #</u>	<u>Federal Program Title</u>
	10.569	The Food Distribution Cluster - Texas Department of Agriculture Emergency Food Assistance Program (Food Commodities)
	10.568	Texas Department of Agriculture Emergency Food Assistance Program (Administrative Costs)
	97.036	Texas Division of Emergency Management (TDEM) Disaster Grants-Public Assistance
	Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
	Auditee qualified as low-risk auditee?	Yes
B	FINDINGS RELATED TO FEDERAL AWARDS	
	None	

COASTAL BEND FOOD BANK
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2020

A PRIOR YEAR FINDINGS - FINANCIAL STATEMENT AUDIT

None

**B PRIOR YEAR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL
AWARD PROGRAMS AUDIT**

None