

THE FOOD BANK OF CORPUS CHRISTI, INC.

FINANCIAL STATEMENTS AND  
OTHER SUPPLEMENTAL INFORMATION

August 31, 2009 and 2008

THE FOOD BANK OF CORPUS CHRISTI, INC.

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**GF Valdez, P.C.**

A Public Accounting Firm

5430 Holly Road, Suite 7  
Corpus Christi, Texas 78411  
Phone 361-991-1650  
Fax 361-991-1655

INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
The Food Bank of Corpus Christi, Inc.  
Corpus Christi, Texas

We have audited the accompanying statements of financial position of the Food Bank of Corpus Christi (Food Bank) as of August 31, 2009 and 2008, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Food Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Food Bank of Corpus Christi, Inc. as of August 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated January 26, 2010, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purpose of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*GF Valdez, P.C.*

January 26, 2010

THE FOOD BANK OF CORPUS CHRISTI, INC.  
STATEMENT OF FINANCIAL POSITION  
August 31, 2009

| <u>ASSETS</u>  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>        |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| <b>Current Assets</b>  |                     |                                   |                                   |                     |
| Cash and cash equivalents  | \$ (12,504)         | \$ 323,803                        | \$ -                              | \$ 311,299          |
| Investments  | 1,017,940           | -                                 | -                                 | 1,017,940           |
| Accounts receivable  | 96,305              | -                                 | -                                 | 96,305              |
| Donated food inventory, net of salvage                                     | 639,623             | 507,139                           | -                                 | 1,146,762           |
| Purchased food inventory   | 6,631               | 45,484                            | -                                 | 52,115              |
| Other assets   | 29,994              | -                                 | -                                 | 29,994              |
| <b>Total Current Assets</b>  | <u>1,777,989</u>    | <u>876,426</u>                    | <u>-</u>                          | <u>2,654,415</u>    |
| Beneficial interest in assets held by<br>Coastal Bend Community Foundation | 350,807             | -                                 | 136,000                           | 486,807             |
| Property and equipment, net<br>of accumulated depreciation                 | <u>1,128,198</u>    | <u>-</u>                          | <u>-</u>                          | <u>1,128,198</u>    |
| <b>Total Assets</b>  | <u>\$ 3,256,994</u> | <u>\$ 876,426</u>                 | <u>\$ 136,000</u>                 | <u>\$ 4,269,420</u> |
| <br><u>LIABILITIES AND NET ASSETS</u>                                      |                     |                                   |                                   |                     |
| <b>Liabilities</b>   |                     |                                   |                                   |                     |
| Deferred revenue - maintenance fees  | \$ 9,540            | \$ -                              | \$ -                              | \$ 9,540            |
| <b>Total Liabilities</b>   | <u>9,540</u>        | <u>-</u>                          | <u>-</u>                          | <u>9,540</u>        |
| <b>Net Assets</b>  | <u>3,247,454</u>    | <u>876,426</u>                    | <u>136,000</u>                    | <u>4,259,880</u>    |
| <b>Total Liabilities and Net Assets</b>                                    | <u>\$ 3,256,994</u> | <u>\$ 876,426</u>                 | <u>\$ 136,000</u>                 | <u>\$ 4,269,420</u> |

The accompanying notes are an integral part of this financial statement.



THE FOOD BANK OF CORPUS CHRISTI, INC.  
STATEMENT OF FINANCIAL POSITION  
August 31, 2008

|  | Unrestricted | Temporarily<br>Restricted | Permanently<br>Restricted | Total        |
|--|--------------|---------------------------|---------------------------|--------------|
| <u>ASSETS</u>                          |              |                           |                           |              |
| Current Assets                         |              |                           |                           |              |
| Cash and cash equivalents              | \$ 80,156    | \$ 159,065                | \$ -                      | \$ 239,221   |
| Investments                            | 666,995      | -                         | -                         | 666,995      |
| Accounts receivable                    | 40,078       | -                         | -                         | 40,078       |
| Donated food inventory, net of salvage | 560,045      | 270,072                   | -                         | 830,117      |
| Purchased food inventory               | 6,928        | 13,296                    | -                         | 20,224       |
| Other assets                           | 18,386       | -                         | -                         | 18,386       |
| Total Current Assets                   | 1,372,588    | 442,433                   | -                         | 1,815,021    |
| Beneficial interest in assets held by  |              |                           |                           |              |
| Coastal Bend Community Foundation      | 404,220      | -                         | 136,000                   | 540,220      |
| Property and equipment, net            |              |                           |                           |              |
| of accumulated depreciation            | 1,077,079    | -                         | -                         | 1,077,079    |
| Total Assets                           | \$ 2,853,887 | \$ 442,433                | \$ 136,000                | \$ 3,432,320 |
| <u>LIABILITIES AND NET ASSETS</u>      |              |                           |                           |              |
| Liabilities                            |              |                           |                           |              |
| Accounts payable                       | \$ 6,694     | \$ -                      | \$ -                      | \$ 6,694     |
| Deferred revenue - maintenance fees    | 14,508       | -                         | -                         | 14,508       |
| Total Liabilities                      | 21,202       | -                         | -                         | 21,202       |
| Net Assets                             | 2,832,685    | 442,433                   | 136,000                   | 3,411,118    |
| Total Liabilities and Net Assets       | \$ 2,853,887 | \$ 442,433                | \$ 136,000                | \$ 3,432,320 |

The accompanying notes are an integral part of this financial statement.

THE FOOD BANK OF CORPUS CHRISTI, INC.  
STATEMENT OF ACTIVITIES  
For the Year Ended August 31, 2009

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>        |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Revenues, gains and other support:                                       |                     |                                   |                                   |                     |
| Grants:  |                     |                                   |                                   |                     |
| USDA commodities   | \$ -                | \$ 1,748,879                      | \$ -                              | \$ 1,748,879        |
| Neighborhood diabetes program  | -                   | 162,801                           | -                                 | 162,801             |
| USDA administrative cost reimbursement                                   | 147,160             | -                                 | -                                 | 147,160             |
| TFBN Outreach reimbursement  | 106,360             | -                                 | -                                 | 106,360             |
| USDA nutrition education reimbursement                                   | 52,137              | -                                 | -                                 | 52,137              |
| FEMA   | -                   | 14,655                            | -                                 | 14,655              |
| Total grants   | <u>305,657</u>      | <u>1,926,335</u>                  | -                                 | <u>2,231,992</u>    |
| Value of donated food inventory, net of<br>food scrapped of \$549,032    | 3,573,165           | 35,395                            | -                                 | 3,608,560           |
| Donations and private grants   | 696,548             | 292,198                           | -                                 | 988,746             |
| Handling fees  | 452,682             | -                                 | -                                 | 452,682             |
| Special events, net expenses of \$3,490                                  | 13,894              | 46,660                            | -                                 | 60,554              |
| Dividend and interest income   | 41,432              | -                                 | -                                 | 41,432              |
| Miscellaneous income   | 2,923               | -                                 | -                                 | 2,923               |
| Nutrition education  | -                   | 1,000                             | -                                 | 1,000               |
| Change in value of amount held with<br>Coastal Bend Community Foundation | (53,413)            | -                                 | -                                 | (53,413)            |
| Unrealized losses on investments   | (43,327)            | -                                 | -                                 | (43,327)            |
| Net assets released from restrictions                                    | <u>1,867,595</u>    | <u>(1,867,595)</u>                | -                                 | <u>-</u>            |
| Total revenues, gains and other support                                  | <u>6,857,156</u>    | <u>433,993</u>                    | -                                 | <u>7,291,149</u>    |
| Expenses:  |                     |                                   |                                   |                     |
| Program expenses   | 6,084,512           | -                                 | -                                 | 6,084,512           |
| Supporting services:   |                     |                                   |                                   |                     |
| Administrative   | 228,061             | -                                 | -                                 | 228,061             |
| Fundraising  | 129,814             | -                                 | -                                 | 129,814             |
| Total expenses   | <u>6,442,387</u>    | <u>-</u>                          | <u>-</u>                          | <u>6,442,387</u>    |
| Increase in Net Assets   | 414,769             | 433,993                           | -                                 | 848,762             |
| Net Assets, August 31, 2008  | <u>2,832,685</u>    | <u>442,433</u>                    | <u>136,000</u>                    | <u>3,411,118</u>    |
| Net Assets, August 31, 2009  | <u>\$ 3,247,454</u> | <u>\$ 876,426</u>                 | <u>\$ 136,000</u>                 | <u>\$ 4,259,880</u> |

The accompanying notes are an integral part of this financial statement.

THE FOOD BANK OF CORPUS CHRISTI, INC.  
STATEMENT OF ACTIVITIES  
For the Year Ended August 31, 2008

|  | Unrestricted | Temporarily<br>Restricted | Permanently<br>Restricted | Total        |
|--|--------------|---------------------------|---------------------------|--------------|
| Revenues, gains and other support:                                       |              |                           |                           |              |
| Grants:  |              |                           |                           |              |
| USDA commodities   | \$ -         | \$ 975,361                | \$ -                      | \$ 975,361   |
| USDA administrative cost reimbursement                                   | 147,937      | -                         | -                         | 147,937      |
| TFBN Outreach reimbursement  | 87,118       | -                         | -                         | 87,118       |
| USDA nutrition education reimbursement                                   | 34,728       | -                         | -                         | 34,728       |
| FEMA   | -            | 19,351                    | -                         | 19,351       |
| Total grants   | 269,783      | 994,712                   | -                         | 1,264,495    |
| Value of donated food inventory, net of<br>food scrapped of \$629,545    | 3,651,749    | -                         | -                         | 3,651,749    |
| Donations and private grants   | 543,705      | 137,432                   | -                         | 681,137      |
| Handling fees  | 338,539      | -                         | -                         | 338,539      |
| Special events, net expenses of \$67,995                                 | 17,126       | 73,166                    | -                         | 90,292       |
| Dividend and interest income   | 26,046       | -                         | -                         | 26,046       |
| Miscellaneous income   | 10,690       | -                         | -                         | 10,690       |
| Change in value of amount held with<br>Coastal Bend Community Foundation | (26,650)     | -                         | -                         | (26,650)     |
| Unrealized losses on investments   | (27,078)     | -                         | -                         | (27,078)     |
| Net assets released from restrictions                                    | 1,080,987    | (1,080,987)               | -                         | -            |
| Total revenues, gains and other support                                  | 5,884,897    | 124,323                   | -                         | 6,009,220    |
| Expenses:  |              |                           |                           |              |
| Program expenses   | 5,329,340    | -                         | -                         | 5,329,340    |
| Supporting services:   |              |                           |                           |              |
| Administrative   | 204,840      | -                         | -                         | 204,840      |
| Fundraising  | 135,648      | -                         | -                         | 135,648      |
| Total expenses   | 5,669,828    | -                         | -                         | 5,669,828    |
| Increase in Net Assets   | 215,069      | 124,323                   | -                         | 339,392      |
| Net Assets, August 31, 2007  | 2,617,616    | 318,110                   | 136,000                   | 3,071,726    |
| Net Assets, August 31, 2008  | \$ 2,832,685 | \$ 442,433                | \$ 136,000                | \$ 3,411,118 |

The accompanying notes are an integral part of this financial statement.

THE FOOD BANK OF CORPUS CHRISTI, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended August 31, 2009

|                               | Program<br>Services | Supporting Services |                   |                   | Total<br>Expenses   |
|-------------------------------|---------------------|---------------------|-------------------|-------------------|---------------------|
|                               |                     | Administrative      | Fundraising       | Total             |                     |
| Food distributed              | \$ 5,137,080        | \$ -                | \$ -              | \$ -              | \$ 5,137,080        |
| Salaries and wages            | 273,616             | 134,766             | -                 | 134,766           | 408,382             |
| Nutrition education expense   | 171,665             | -                   | -                 | -                 | 171,665             |
| Fundraising                   | -                   | -                   | 127,598           | 127,598           | 127,598             |
| Depreciation expense          | 95,234              | 13,605              | -                 | 13,605            | 108,839             |
| Insurance                     | 57,710              | 28,425              | -                 | 28,425            | 86,135              |
| Utilities                     | 47,392              | 6,770               | -                 | 6,770             | 54,162              |
| Repairs                       | 44,869              | -                   | -                 | -                 | 44,869              |
| Outreach expense              | 40,312              | -                   | -                 | -                 | 40,312              |
| Disaster relief funds expense | 36,768              | -                   | -                 | -                 | 36,768              |
| Freight expenses              | 32,794              | -                   | -                 | -                 | 32,794              |
| Payroll tax expense           | 20,434              | 10,064              | -                 | 10,064            | 30,498              |
| Truck and van expenses        | 29,257              | -                   | -                 | -                 | 29,257              |
| Office expense                | 9,972               | 9,972               | 2,216             | 12,188            | 22,160              |
| Membership fees               | 16,678              | -                   | -                 | -                 | 16,678              |
| Professional fees             | -                   | 16,269              | -                 | 16,269            | 16,269              |
| Storage                       | 12,971              | -                   | -                 | -                 | 12,971              |
| Travel expenses               | 5,882               | 5,882               | -                 | 5,882             | 11,764              |
| Warehouse expenses            | 9,791               | 1,399               | -                 | 1,399             | 11,190              |
| Miscellaneous                 | 10,137              | -                   | -                 | -                 | 10,137              |
| Postage                       | 4,138               | -                   | -                 | -                 | 4,138               |
| Kids Café expense             | 25,967              | -                   | -                 | -                 | 25,967              |
| Advertisement                 | 1,845               | 909                 | -                 | 909               | 2,754               |
|                               | <u>\$ 6,084,512</u> | <u>\$ 228,061</u>   | <u>\$ 129,814</u> | <u>\$ 357,875</u> | <u>\$ 6,442,387</u> |

The accompanying notes are an integral part of this financial statement.

THE FOOD BANK OF CORPUS CHRISTI, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended August 31, 2008

|                             | Program<br>Services | Supporting Services |                   |                   | Total<br>Expenses   |
|-----------------------------|---------------------|---------------------|-------------------|-------------------|---------------------|
|                             |                     | Administrative      | Fundraising       | Total             |                     |
| Food distributed            | \$ 4,586,426        | \$ -                | \$ -              | \$ -              | \$ 4,586,426        |
| Salaries and wages          | 239,408             | 117,917             | -                 | 117,917           | 357,325             |
| Fundraising                 | -                   | -                   | 134,431           | 134,431           | 134,431             |
| Depreciation expense        | 87,236              | 12,462              | -                 | 12,462            | 99,698              |
| Insurance                   | 56,213              | 27,687              | -                 | 27,687            | 83,900              |
| Freight expenses            | 57,958              | -                   | -                 | -                 | 57,958              |
| Utilities                   | 44,651              | 6,379               | -                 | 6,379             | 51,030              |
| Outreach expense            | 46,944              | -                   | -                 | -                 | 46,944              |
| Truck and van expenses      | 36,650              | -                   | -                 | -                 | 36,650              |
| Repairs                     | 35,734              | -                   | -                 | -                 | 35,734              |
| Nutrition education expense | 35,596              | -                   | -                 | -                 | 35,596              |
| Kids Café expense           | 29,040              | -                   | -                 | -                 | 29,040              |
| Payroll tax expense         | 19,401              | 9,556               | -                 | 9,556             | 28,957              |
| Professional fees           | -                   | 17,500              | -                 | 17,500            | 17,500              |
| Miscellaneous               | 15,261              | -                   | -                 | -                 | 15,261              |
| Membership fees             | 12,631              | -                   | -                 | -                 | 12,631              |
| Office expense              | 5,477               | 5,477               | 1,217             | 6,694             | 12,171              |
| Travel expenses             | 6,055               | 6,055               | -                 | 6,055             | 12,110              |
| Warehouse expenses          | 9,169               | 1,310               | -                 | 1,310             | 10,479              |
| Postage                     | 3,924               | -                   | -                 | -                 | 3,924               |
| Advertisement               | 1,009               | 497                 | -                 | 497               | 1,506               |
| Storage                     | 557                 | -                   | -                 | -                 | 557                 |
|                             | <u>\$ 5,329,340</u> | <u>\$ 204,840</u>   | <u>\$ 135,648</u> | <u>\$ 340,488</u> | <u>\$ 5,669,828</u> |

The accompanying notes are an integral part of this financial statement.



THE FOOD BANK OF CORPUS CHRISTI, INC.  
STATEMENTS OF CASH FLOWS  
For the Years Ended August 31, 2009 and 2008

|   | 2009        | 2008        |
|---|-------------|-------------|
| <b>Cash flows from operating activities:</b>  |             |             |
| Increase (decrease) in net assets   | \$ 848,762  | \$ 339,392  |
| Adjustments to reconcile net assets to net cash provided<br>by operating activities |             |             |
| Depreciation  | 108,839     | 99,698      |
| Allowance for unusable inventory  | -           | (38,263)    |
| Unrealized losses on investments  | 15,265      | 27,078      |
| In-kind contribution of food and non-food items                                     | (5,906,472) | (5,227,365) |
| Distributions of in-kind food and non-food items                                    | 5,589,827   | 5,103,839   |
| Donation of stock   | -           | (2,720)     |
| Decrease in beneficial interest held at<br>Coastal Bend Community Foundation        | 53,413      | 35,649      |
| Decrease (increase) in:   |             |             |
| Accounts receivable   | (56,227)    | (9,284)     |
| Purchased inventory   | (31,891)    | (1,608)     |
| Other assets  | (11,608)    | (10,923)    |
| Increase (decrease) in:   |             |             |
| Accounts payable  | (6,694)     | (5,779)     |
| Accrued expenses  | (4,968)     | (4,390)     |
| Net cash provided by operating activities   | 598,246     | 305,324     |
| <b>Cash flows from investing activities:</b>  |             |             |
| Purchase of investments   | (366,210)   | (991,565)   |
| Redemption of investments   | -           | 823,712     |
| Capital expenditures  | (159,958)   | (31,845)    |
| Net cash used in investing activities   | (526,168)   | (199,698)   |
| <b>Cash flows from financing activities:</b>  | -           | -           |
| Net change in cash  | 72,078      | 105,626     |
| Cash at beginning of year   | 239,221     | 133,595     |
| Cash at end of year   | \$ 311,299  | \$ 239,221  |

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

THE FOOD BANK OF CORPUS CHRISTI  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2009 and 2008

NOTE 1 – NATURE OF ACTIVITIES

The Food Bank of Corpus Christi, Inc. (Food Bank) is a Texas nonprofit Corporation that began operations on September 1, 1982. The organization'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. In addition to collecting and distributing food, the Food Bank operates a nutrition education program to increase peoples' ability to purchase and prepare their own food, including diabetes education. 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 commodities received from one supermarket chain were \$1,480,308 and \$1,372,719, (14% and 23% of revenues), for the years ended August 31, 2009 and 2008, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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.

Financial Statement Presentation

The Food Bank follows the provisions of Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, the Food Bank is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets.

Use of 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 under the Federal Deposit Insurance Corporation (FDIC). Management believes it is not exposed to any significant risk on cash accounts.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. The unrealized gain or loss on investments is included as a component of investment income in the statements of activities. In addition, the Food Bank invests in a money market fund, classified as cash equivalent, which is held with by a financial institution of high credit quality. These funds are insured by the Securities Investor Protection Corporation (SPIC). The Food Bank has not experienced any losses on such amounts.



THE FOOD BANK OF CORPUS CHRISTI  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2009 and 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable

Receivables represent amounts due from agencies 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, 2009 and 2008, management estimates that no reserve for losses on receivables is required.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Gifts or contributions of property and equipment are recorded at the asset's fair market value at the time received. Depreciation is calculated using the straight-line method over useful lives of the assets, ranging from three to seven years for vehicles, office furniture and equipment and fifteen to thirty-nine years for buildings and building improvements. Maintenance and repairs that do not increase the useful life of the asset are expensed as incurred while major additions and improvements that do increase the useful life of the asset are capitalized. When items are disposed of, the cost and accumulated depreciation are eliminated from the records of accounts and any gains or losses are reported in the change in net assets.

Inventory

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 \$1.69 per pound for the years ended August 31, 2009 and 2008. This valuation is based on cost studies conducted for America's Second Harvest. Purchased food is valued at 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, 2009 and 2008 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 are reflected in the statement of activities as assets released from restriction.

Contributions

The Food Bank follows the provisions of Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. Restricted contributions are reported as increases in restricted net assets. When the restriction is met the amount is shown as a reclassification of restricted assets to unrestricted net assets. 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 under SFAS No. 116.

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 to \$.14 per pound.

THE FOOD BANK OF CORPUS CHRISTI  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2009 and 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Food Bank is exempt from federal income taxes pursuant to Section 501 (c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes had been made in the accompanying statements.

Allocation of Functional Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

Certain amounts, none affecting net income, in the prior year have been reclassified in order to be consistent with the current year presentation.

NOTE 3 – INVESTMENTS

Investments in marketable securities consisted of the following:

|                            | <u>Cost</u>         | <u>Unrealized<br/>Gains</u> | <u>Unrealized<br/>Losses</u> | <u>Fair<br/>Value</u> |
|----------------------------|---------------------|-----------------------------|------------------------------|-----------------------|
| <u>August 31, 2009</u>     |                     |                             |                              |                       |
| Certificates of Deposit    | \$ 843,000          | \$ 6,666                    | \$ --                        | \$ 849,666            |
| Mutual Funds – Equity      | 108,312             | --                          | 16,736                       | 91,577                |
| Mutual Funds - Fixed       | 85,197              | --                          | 11,220                       | 73,977                |
| Common Stock               | <u>2,720</u>        | <u>--</u>                   | <u>--</u>                    | <u>2,720</u>          |
|                            | <u>\$ 1,039,229</u> | <u>\$ 6,666</u>             | <u>\$ 27,956</u>             | <u>\$ 1,017,940</u>   |
| <br><u>August 31, 2008</u> |                     |                             |                              |                       |
| Certificates of Deposit    | \$ 487,000          | \$ 257                      | \$ --                        | \$ 487,257            |
| Mutual Funds – Equity      | 104,864             | --                          | 1,614                        | 103,250               |
| Mutual Funds - Fixed       | 86,347              | --                          | 7,734                        | 78,613                |
| Common Stock               | <u>2,720</u>        | <u>--</u>                   | <u>--</u>                    | <u>2,720</u>          |
|                            | <u>\$ 680,931</u>   | <u>\$ 257</u>               | <u>\$ 9,348</u>              | <u>\$ 671,840</u>     |

No realized gains or losses were recognized for the years ended August 31, 2009 and 2008.

THE FOOD BANK OF CORPUS CHRISTI  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2009 and 2008

NOTE 4 – INVENTORY

Inventory consisted of the following as of August 31:

|                           | <u>2009</u>      |                     | <u>2008</u>    |                   |
|---------------------------|------------------|---------------------|----------------|-------------------|
|                           | <u>Pounds</u>    | <u>Dollars</u>      | <u>Pounds</u>  | <u>Dollars</u>    |
| Donated inventory:        |                  |                     |                |                   |
| Donated inventory         | 378,312          | \$ 639,624          | 331,389        | \$ 560,048        |
| USDA commodities          | 543,690          | 285,326             | 243,171        | 270,100           |
| USDA-SK commodities       | 150,687          | 221,813             | --             | --                |
| FEMA commodities          | <u>20,944</u>    | <u>35,395</u>       | <u>--</u>      | <u>--</u>         |
|                           | <u>1,093,633</u> | <u>\$ 1,182,158</u> | <u>574,560</u> | <u>\$ 830,148</u> |
| Purchased food inventory: |                  |                     |                |                   |
| FEMA purchased inventory  | 8,459            | \$ 10,089           | 34,435         | \$ 13,296         |
| Other purchased inventory | <u>15,723</u>    | <u>6,630</u>        | <u>19,644</u>  | <u>6,897</u>      |
|                           | <u>24,182</u>    | <u>\$ 16,719</u>    | <u>54,079</u>  | <u>\$ 20,193</u>  |

No allowance was deemed necessary at August 31, 2009 and August 31, 2008.

NOTE 5 – PROPERTY AND EQUIPMENT

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

|                                | <u>2009</u>         | <u>2008</u>         |
|--------------------------------|---------------------|---------------------|
| Building and improvements      | \$ 1,055,782        | \$ 1,055,181        |
| Warehouse and freezer          | 427,885             | 401,618             |
| Furniture and equipment        | 239,114             | 239,671             |
| Vehicles                       | 317,270             | 183,623             |
| Land                           | <u>135,605</u>      | <u>135,605</u>      |
|                                | 2,175,656           | 2,015,698           |
| Less: Accumulated depreciation | <u>(1,047,458)</u>  | <u>(938,619)</u>    |
| Property and equipment, net    | <u>\$ 1,128,198</u> | <u>\$ 1,077,079</u> |

Depreciation expense for the years ended August 31, 2009 and 2008 totaled \$108,839 and \$99,698, respectively.



THE FOOD BANK OF CORPUS CHRISTI  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2009 and 2008

NOTE 6 – RESTRICTED NET ASSETS

Temporarily restricted net assets as of August 31 were available for the following purposes:

|   | <u>2009</u>       | <u>2008</u>       |
|---|-------------------|-------------------|
| Commodities for distribution:           |                   |                   |
| USDA commodities                        | \$ 285,326        | \$ 270,070        |
| USDA-SK commodities                     | 221,813           | --                |
| FEMA purchased inventory                | <u>45,484</u>     | <u>13,296</u>     |
|   | 552,623           | 283,266           |
| <br>                                    |                   |                   |
| Kid's Cafe program                      | 176,165           | 135,292           |
| Diabetes program                        | 47,640            | --                |
| Food purchases                          | 71,459            | --                |
| Disaster relief                         | 16,073            | 8,016             |
| Agency handling fees                    | 10,460            | 14,508            |
| FEMA purchases                          | 1,006             | 1,251             |
| Nutrition education                     | <u>1,000</u>      | <u>--</u>         |
| <br>                                    |                   |                   |
| Total temporarily restricted net assets | <u>\$ 876,426</u> | <u>\$ 442,433</u> |

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

|  | <u>2009</u>         | <u>2008</u>         |
|--|---------------------|---------------------|
| Restrictions accomplished:                 |                     |                     |
| USDA commodities distributions             | \$ 1,436,902        | \$ 919,425          |
| Neighborhood diabetes program              | 115,161             | --                  |
| Vehicle purchases                          | 90,000              | --                  |
| USDA-SK commodities distributions          | 74,908              | --                  |
| Food purchases                             | 57,267              | 63,700              |
| Kid's Cafe program expenses                | 34,434              | 38,500              |
| Agency handling fees                       | 4,048               | 35,402              |
| FEMA food distributions                    | 18,107              | 18,960              |
| Building construction/maintenance          | --                  | 5,000               |
| Disaster relief expenses                   | <u>36,768</u>       | <u>--</u>           |
| <br>                                       |                     |                     |
| Total net assets released from restriction | <u>\$ 1,867,595</u> | <u>\$ 1,080,987</u> |

NOTE 8 – CONTINGENCIES

Grants and contracts awarded to the Food Bank are subject to the funding agencies' criteria, contract terms, and regulations under which expenditures may be charged and are subject to audit under these terms, regulations and criteria. On the occasion that such audit determines that certain costs incurred against the grants do not comply with the established criteria that governs them, the Food Bank could be held responsible for repayment to the funding agency for the costs or be subject to the reductions of future funding in the amount of the costs. Management does not anticipate any material questioned costs for the contracts and grants administered during the period.

THE FOOD BANK OF CORPUS CHRISTI  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2009 and 2008

NOTE 9 – BENEFICIAL INTEREST IN ASSETS HELD BY COASTAL BEND COMMUNITY FOUNDATION

The Food Bank entered into an Agency Endowment Agreement (Agreement) with the Coastal Bend Community Foundation (CBCF) 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 CBCF. 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. No distributions were made from the Fund for the years ended August 31, 2009 and 2008.

THE FOOD BANK OF CORPUS CHRISTI, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended August 31, 2009

| Federal Grantor/<br>Pass-Through Grantor/<br>Program Title  | Federal<br>CFDA<br>Number | Grant<br>Period   | Receipts            | Disbursements       |
|---|---------------------------|-------------------|---------------------|---------------------|
| <b><u>U.S. Department of Agriculture</u></b>                |                           |                   |                     |                     |
| Passed Through the  |                           |                   |                     |                     |
| Texas Health and Human Services Commission:                 |                           |                   |                     |                     |
| <u>The Emergency Food Assistance - Cluster</u>              |                           |                   |                     |                     |
| Texas Commodity Assistance                                  |                           |                   |                     |                     |
| Emergency Food Assistance Program<br>(Food Commodities)     | 10.569                    | 9/01/08 - 8/31/09 | \$ 1,452,158        | \$ 1,436,902        |
| Texas Commodity Assistance                                  |                           |                   |                     |                     |
| Emergency Food Assistance Program<br>(Administrative Costs) | 10.568                    | 9/01/08 - 8/31/09 | 147,160             | 147,160             |
| Food Stamp Nutrition Education Program                      | 10.561                    | 9/01/08 - 8/31/09 | 52,137              | 52,137              |
| Passed Through the  |                           |                   |                     |                     |
| Texas Food Bank Network:                                    |                           |                   |                     |                     |
| Food Stamp Outreach   | N/A                       | 9/01/08 - 8/31/09 | <u>56,236</u>       | <u>56,236</u>       |
| <b>Total U.S. Department of Agriculture</b>                 |                           |                   | <u>1,707,691</u>    | <u>1,692,435</u>    |
| <br><b><u>Federal Emergency Management Agency</u></b>       |                           |                   |                     |                     |
| Passed Through the  |                           |                   |                     |                     |
| United Way of America:                                      |                           |                   |                     |                     |
| Emergency Food and Shelter Program                          | 97.024                    | 9/01/08 - 8/31/09 | \$ 14,655           | \$ 14,900           |
| <b>Total Federal Awards</b>                                 |                           |                   | <u>\$ 1,722,346</u> | <u>\$ 1,707,335</u> |

See accompanying Notes to Schedule of Expenditures of Federal Awards.

THE FOOD BANK OF CORPUS CHRISTI, INC.  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended August 31, 2009

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Food Bank of Corpus Christi, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 – INVENTORY

The value of USDA commodities received during the year was estimated by the State of Texas and USDA. The value of USDA commodities distributed during the year includes amounts held in inventory at the beginning of the year. As of August 31, 2009, the Food Bank had \$507,138 of USDA commodities in inventory.



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT PERFORMED IN  
ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS*

To the Board of Directors  
Food Bank of Corpus Christi, Inc.  
Corpus Christi, Texas

We have audited the financial statements of the Food Bank of Corpus Christi, Inc. (Food Bank) as of and for the year then ended August 31, 2009 and have issued our report thereon dated January 26, 2010. We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Food Bank's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Food Bank's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Food Bank's financial statements that is more than inconsequential will not be prevented or detected by the Food Bank's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs on page 21 and the supplemental schedule on page 22 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Food Bank's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies. However, we believe the significant deficiencies described above and listed on page 22 to be material weaknesses.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Food Bank's financial statements are free of 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 do not disclose instances of noncompliance or other matters that are required to be reported under Governmental Auditing Standards.

We noted certain matters that we reported to management or the Food Bank in a separate letter dated December 30, 2009.

The Food Bank's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Food Bank's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies and pass-through entities and is not intended to be used and should not be used by anyone other than these specified parties.

*P. J. Valdez, P.C.*

January 26, 2010

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors  
Food Bank of Corpus Christi, Inc.  
Corpus Christi, Texas

Compliance

We have audited the compliance of Food Bank of Corpus Christi, Inc. (Food Bank) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended August 31, 2009. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Food Bank's management. Our responsibility is to express an opinion on the Food Bank's compliance based on our audit.

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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination on the Food Bank's compliance with those requirements.

In our opinion, the Food Bank of Corpus Christi, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2009.

Internal Control Over Compliance

The management of the Food Bank is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Food Bank's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

Our consideration of the 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Food Bank's responses to the findings identified in our audit are described in the accompanying supplemental schedule of findings and corrective actions. We did not audit the Food Bank's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies and pass-through entities and is not intended to be used and should not be used by anyone other than these specified parties.

*B. J. Valdez, P. C.*

January 26, 2010



THE FOOD BANK OF CORPUS CHRISTI, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended August 31, 2009

A SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material Weakness Identified? Yes
- Significant Deficiencies identified not considered to be a material weakness? No
- Noncompliance material to the financial statements? No

Federal Awards

Type of auditor's report issued on compliance for major programs: Unqualified

Internal control over major programs:

- Material Weakness Identified? No
- Significant Deficiencies identified not considered to be a material weakness? N/A
- Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 501(a)? No

Identificaiton of major programs:

| <u>CFDA #</u> | <u>Federal Program Title</u>  |
|---------------|---|
| 10.569        | The Emergency Food Assistance Cluster - Texas Commodities Assistance Emergency Food Assistance Program (Food Commodities) |
| 10.568        | Texas Commodities Assistance Emergency Food Assistance Program (Administrative Costs)                                     |

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes

B FINDINGS RELATED TO FEDERAL AWARDS

None

THE FOOD BANK OF CORPUS CHRISTI  
SCHEDULE OF FINDINGS AND QUESTIONABLE COSTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2009

C. Financial Statement Findings

**1. Inventory Process**

Conditions:

The year-end inventory counts were incorrectly performed by the Food Bank of Corpus Christi. GF Valdez, P.C. performed an inventory observation of internal procedures along with a sampling of inventory to be recounted.

Criteria:

The inventory counts should be performed by one individual and another should recount and confirm the inventory counts. If any discrepancies should arise, the count would be performed again.

Effects:

Inventory counts reflected at year end do not properly reflect the financial position of the Food Bank.

Cause:

Inventory counts needed to bring accuracy to the financial statements misstated the inventory balance in both poundage and value.

Recommendation:

The Food Bank should implement stronger supervision in the inventory process and have two independent individuals performing counts.

Corrective Action:

The Executive Director will address this issue with warehouse personnel and have two individuals trained to supervise the inventory personnel and activities more closely.

**2. Inventory not posted correctly**

Conditions:

Inventory was misstated in the accounting program as several items were either understated or overstated.

Criteria:

The Food Bank personnel should be properly monitoring and recording the inventory activity.

Effects:

Inventory reflected at year end does not properly reflect the financial position of the Food Bank.

Cause:

Inventory held on the accounting system misstated the inventory balance in both poundage and value.

Recommendation:

The Food Bank should have a more experienced employee handle the review and supervision of the inventory entered into the system. Warehouse personnel should also be advised of the difference between various items held on hand.

Corrective Action:

The Food Bank plans on correcting the matter by first correctly stating the inventory activity and issuing credit for any difference on the invoices of those agencies that were affected by this matter. Furthermore, the inventory still held in the warehouse will be properly labeled for warehouse personnel to identify.



THE FOOD BANK OF CORPUS CHRISTI, INC.  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
For the Year Ended August 31, 2009

A PRIOR YEAR FINDINGS - FINANCIAL STATEMENT AUDIT

None

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

None