

THE FOOD BANK OF CORPUS CHRISTI, INC.

FINANCIAL STATEMENTS AND
OTHER SUPPLEMENTAL INFORMATION

August 31, 2010 and 2009

THE FOOD BANK OF CORPUS CHRISTI, INC.

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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, Inc. (Food Bank) as of August 31, 2010 and 2009, 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, 2010 and 2009, 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 November 30, 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.

November 30, 2010

THE FOOD BANK OF CORPUS CHRISTI, INC.
STATEMENT OF FINANCIAL POSITION
August 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 38,061	\$ 334,387	\$ -	\$ 372,448
Investments	1,376,283	-	-	1,376,283
Accounts receivable	73,272	-	-	73,272
Donated food inventory, net of salvage	492,000	337,352	-	829,352
Purchased food inventory	35,565	11,899	-	47,464
Other assets	42,475	-	-	42,475
Total Current Assets	2,057,656	683,638	-	2,741,294
Beneficial interest in assets held by Coastal Bend Community Foundation	412,230	-	136,000	548,230
Property and equipment, net of accumulated depreciation	1,104,193	-	-	1,104,193
Total Assets	\$ 3,574,079	\$ 683,638	\$ 136,000	\$ 4,393,717
<u>LIABILITIES AND NET ASSETS</u>				
Liabilities				
Accounts Payable	\$ 49,317	\$ -	\$ -	\$ 49,317
Deferred revenue - maintenance fees	2,795	-	-	2,795
Total Liabilities	52,112	-	-	52,112
Net Assets	3,521,967	683,638	136,000	4,341,605
Total Liabilities and Net Assets	\$ 3,574,079	\$ 683,638	\$ 136,000	\$ 4,393,717

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

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

<u>ASSETS</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Current Assets				
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
Total Current Assets	<u>1,777,989</u>	<u>876,426</u>	<u>-</u>	<u>2,654,415</u>
Beneficial interest in assets held by Coastal Bend Community Foundation	350,807	-	136,000	486,807
Property and equipment, net of accumulated depreciation	<u>1,128,198</u>	<u>-</u>	<u>-</u>	<u>1,128,198</u>
Total Assets	<u><u>\$ 3,256,994</u></u>	<u><u>\$ 876,426</u></u>	<u><u>\$ 136,000</u></u>	<u><u>\$ 4,269,420</u></u>
 <u>LIABILITIES AND NET ASSETS</u>				
Liabilities				
Deferred revenue - maintenance fees	\$ 9,540	\$ -	\$ -	\$ 9,540
Total Liabilities	<u>9,540</u>	<u>-</u>	<u>-</u>	<u>9,540</u>
Net Assets	<u>3,247,454</u>	<u>876,426</u>	<u>136,000</u>	<u>4,259,880</u>
Total Liabilities and Net Assets	<u><u>\$ 3,256,994</u></u>	<u><u>\$ 876,426</u></u>	<u><u>\$ 136,000</u></u>	<u><u>\$ 4,269,420</u></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, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains and other support:				
Grants:				
USDA commodities	\$ -	\$ 1,566,592	\$ -	\$ 1,566,592
Neighborhood diabetes program	-	160,985	-	160,985
USDA administrative cost reimbursement	231,104	-	-	231,104
TFBN Outreach reimbursement	53,926	-	-	53,926
Produce	50,000	-	-	50,000
USDA nutrition education reimbursement	45,981	-	-	45,981
FEMA	-	16,000	-	16,000
Total grants	<u>381,011</u>	<u>1,743,577</u>	-	<u>2,124,588</u>
Value of donated food inventory, net of food scrapped of \$777,528	2,942,711	776	-	2,943,487
Donations and private grants	810,141	80,508	-	890,649
Handling fees	430,272	-	-	430,272
Special events, net of expenses of \$11,477	44,039	8,246	-	52,285
Dividend and interest income	42,619	-	-	42,619
Miscellaneous income	45,002	-	-	45,002
Mobile pantry income	52,040	-	-	52,040
Change in value of amount held with Coastal Bend Community Foundation	42,076	-	-	42,076
Unrealized gains on investments	11,759	-	-	11,759
Net assets released from restrictions	<u>2,025,895</u>	<u>(2,025,895)</u>	-	<u>-</u>
Total revenues, gains and other support	<u>6,827,565</u>	<u>(192,788)</u>	-	<u>6,634,777</u>
Expenses:				
Program expenses	6,129,023	-	-	6,129,023
Supporting services:				
Administrative	282,046	-	-	282,046
Fundraising	141,984	-	-	141,984
Total expenses	<u>6,553,052</u>	<u>-</u>	<u>-</u>	<u>6,553,052</u>
Increase in Net Assets	274,513	(192,788)	-	81,725
Net Assets, August 31, 2009	<u>3,247,454</u>	<u>876,426</u>	<u>136,000</u>	<u>4,259,880</u>
Net Assets, August 31, 2010	<u>\$ 3,521,967</u>	<u>\$ 683,638</u>	<u>\$ 136,000</u>	<u>\$ 4,341,605</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, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently 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	56,236	-	-	56,236
USDA nutrition education reimbursement	52,137	-	-	52,137
Produce	50,124	-	-	50,124
FEMA	-	14,655	-	14,655
Total grants	<u>305,657</u>	<u>1,926,335</u>	<u>-</u>	<u>2,231,992</u>
Value of donated food inventory, net of 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 of 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 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>	<u>-</u>
Total revenues, gains and other support	<u>6,857,156</u>	<u>433,993</u>	<u>-</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 FUNCTIONAL EXPENSES
For the Year Ended August 31, 2010

	Program Services	Supporting Services		Total	Total Expenses
		Administrative	Fundraising		
Food distributed	\$ 4,925,701	\$ -	\$ -	\$ -	\$ 4,925,701
Salaries and wages	356,499	175,589	-	175,589	532,088
Outreach expense	172,612	-	-	-	172,612
Fundraising expense	-	-	138,890	138,890	138,890
Depreciation expense	93,991	13,427	-	13,427	107,418
Insurance	50,226	24,738	-	24,738	74,964
Repairs	73,273	-	-	-	73,273
Nutrition education expense	65,402	-	-	-	65,402
Miscellaneous	60,795	-	-	-	60,795
Utilities	49,235	7,034	-	7,034	56,268
Truck and van expenses	47,677	-	-	-	47,677
Payroll tax expense	27,866	13,725	-	13,725	41,591
Grant expense	41,336	-	-	-	41,336
Storage	34,680	-	-	-	34,680
Office expense	13,921	13,921	3,094	17,014	30,935
Freight expenses	29,002	-	-	-	29,002
Warehouse expenses	18,967	2,710	-	2,710	21,676
Professional fees	-	21,645	-	21,645	21,645
Kids Café expenses	19,368	-	-	-	19,368
Membership fees	18,424	-	-	-	18,424
Travel expenses	7,862	7,862	-	7,862	15,724
Mobile pantry expense	14,955	-	-	-	14,955
Postage	4,399	-	-	-	4,399
Bank fees	2,833	1,396	-	1,396	4,229
	<u>\$ 6,129,023</u>	<u>\$ 282,046</u>	<u>\$ 141,984</u>	<u>\$ 424,029</u>	<u>\$ 6,553,052</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, 2009

	Program Services	Supporting Services		Total	Total Expenses
		Administrative	Fundraising		
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
Kids Café expenses	25,967	-	-	-	25,967
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
Bank fees	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.
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Increase in net assets	\$ 81,725	\$ 848,762
Adjustments to reconcile net assets to net cash provided by operating activities		
Depreciation	99,461	108,839
Unrealized (gains) losses on investments	(16,704)	15,265
In-kind contribution of food and non-food items	(5,381,167)	(5,906,472)
Distributions of in-kind food and non-food items	5,698,577	5,589,827
(Increase) decrease in beneficial interest held at Coastal Bend Community Foundation	(61,423)	53,413
Decrease (increase) in:		
Accounts receivable	23,033	(56,227)
Purchased inventory	4,651	(31,891)
Other assets	(12,481)	(11,608)
Increase (decrease) in:		
Accounts payable	49,317	(6,694)
Accrued expenses	(6,745)	(4,968)
Net cash provided by operating activities	478,244	598,246
Cash flows from investing activities:		
Purchase of investments	(1,223,765)	(366,210)
Redemption of investments	882,126	-
Capital expenditures	(75,456)	(159,958)
Net cash used in investing activities	(417,095)	(526,168)
Cash flows from financing activities:	-	-
Net change in cash	61,149	72,078
Cash at beginning of year	311,299	239,221
Cash at end of year	\$ 372,448	\$ 311,299

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

THE FOOD BANK OF CORPUS CHRISTI
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2010 and 2009

NOTE 1 – NATURE OF ACTIVITIES

The Food Bank of Corpus Christi, Inc. (Food Bank) is a Texas non-profit 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 supermarket chains were \$1,491,875 and \$1,480,308, (17% and 14% of revenues), for the years ended August 31, 2010 and 2009, 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 Financial Accounting Standards Board (FASB) issued FASB ASC 958 (prior authoritative literature: SFAS No. 117, "*Financial Statements of Not-For-Profit Organizations*"). The Food Bank follows the provisions of FASB ASC 958. Under FASB ASC 958, 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.

Accounts Receivable

Accounts receivable 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, 2010 and 2009, management estimates that no reserve for losses on receivables is required.

THE FOOD BANK OF CORPUS CHRISTI
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2010 and 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

The Food Bank adopted FASB ASC 958-320-50, (prior authoritative literature: SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations"). 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 realized losses on such amounts.

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 \$1.58 and \$1.69 per pound for the years ended August 31, 2010 and 2009, respectively. 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, 2010 and 2009 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.

Contributions

The Food Bank follows the Financial Accounting Standards Board's (FASB) FASB ASC 958-605 (prior authoritative literature: SFAS No. 116, "Accounting for Contributions Received and Contributions Made"). The provisions of the FASB ASC 958 state, 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 FASB ASC 958.

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, 2010 and 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Services

The Food Bank receives services donated from its members in carrying out the Organization's operations. However, no amounts have been recognized in the statement of activities since they do not meet the criteria for recognition under FASB ASC 958-605-25, (prior authoritative literature: SFAS No. 116.) The Food Bank received 23,289 hours of services from 4,329 volunteers for the year ending August 31, 2009. The Food Bank received 25,980 hours of services from 4,578 volunteers for the year ending August 31, 2010. Volunteers assisted in sorting food items. No amounts have been recognized in the financial statements for these volunteer hours because they do not meet the criteria for recognition.

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.

Date of Management's Review

Management of the Food Bank has evaluated subsequent events for disclosure through November 30, 2010, the date the financial statements were available to be issued.

NOTE 3 – INVESTMENTS

Investments in marketable securities consisted of the following:

	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
<u>August 31, 2010</u>				
Certificates of Deposit	\$ 1,140,316	\$ --	\$ --	\$ 1,140,316
Mutual Funds – Equity	111,229	--	12,076	99,153
Mutual Funds - Fixed	139,228	--	5,108	134,120
Common Stock	<u>2,694</u>	<u>--</u>	<u>--</u>	<u>2,694</u>
	<u>\$ 1,393,467</u>	<u>\$ --</u>	<u>\$ 17,184</u>	<u>\$ 1,376,283</u>
<u>August 31, 2009</u>				
Certificates of Deposit	\$ 843,000	\$ 6,666	\$ --	\$ 849,666
Mutual Funds – Equity	108,312	--	16,735	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>\$ 27,955</u>	<u>\$ 1,017,940</u>

THE FOOD BANK OF CORPUS CHRISTI
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2010 and 2009

NOTE 3 – INVESTMENTS (continued)

No realized gains or losses were recognized for the years ended August 31, 2010 and 2009.

NOTE 4 – INVENTORY

Inventory consisted of the following as of August 31:

	<u>2010</u>		<u>2009</u>	
	<u>Pounds</u>	<u>Dollars</u>	<u>Pounds</u>	<u>Dollars</u>
Donated inventory:				
Donated inventory	311,758	\$ 491,170	378,312	\$ 639,624
USDA commodities	304,627	337,352	543,690	285,326
USDA-SK commodities	--	--	150,687	221,813
FEMA commodities	<u>8,085</u>	<u>11,899</u>	<u>20,944</u>	<u>35,395</u>
	<u>624,470</u>	<u>\$ 840,421</u>	<u>1,093,633</u>	<u>\$ 1,182,158</u>
Purchased food inventory:				
FEMA purchased inventory	49,098	\$ 33,037	8,459	\$ 10,089
Other purchased inventory	<u>23,534</u>	<u>3,358</u>	<u>15,723</u>	<u>6,630</u>
	<u>72,632</u>	<u>\$ 36,395</u>	<u>24,182</u>	<u>\$ 16,719</u>

No allowance was deemed necessary at August 31, 2010 and August 31, 2009.

NOTE 5 – PROPERTY AND EQUIPMENT

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

	<u>2010</u>	<u>2009</u>
Building and improvements	\$ 1,055,782	\$ 1,055,782
Warehouse and freezer	427,885	427,885
Furniture and equipment	275,970	239,114
Vehicles	355,870	317,270
Land	<u>135,605</u>	<u>135,605</u>
	2,251,112	2,175,656
Less: Accumulated depreciation	<u>(1,146,919)</u>	<u>(1,047,458)</u>
Property and equipment, net	<u>\$ 1,104,193</u>	<u>\$ 1,128,198</u>

Depreciation expense for the years ended August 31, 2010 and 2009 totaled \$107,418 and \$108,839, respectively.

THE FOOD BANK OF CORPUS CHRISTI
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2010 and 2009

NOTE 6 – RESTRICTED NET ASSETS

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

	2010	2009
Commodities for distribution:		
USDA commodities	\$ 337,352	\$ 285,326
USDA-SK commodities	--	221,813
FEMA purchased inventory	11,899	45,484
	349,251	552,623
Kid's Cafe program	158,017	176,165
Food purchases	72,554	71,459
Diabetes program	66,254	47,640
Disaster relief	24,319	16,073
Agency handling fees	10,460	10,460
FEMA purchases	1,783	1,006
Nutrition education	1,000	1,000
Total temporarily restricted net assets	\$ 683,638	\$ 876,426

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

	2010	2009
Restrictions accomplished:		
USDA commodities distributions	\$ 1,493,390	\$ 1,436,902
USDA-SK commodities distributions	242,989	74,908
Neighborhood diabetes program	142,371	115,161
FEMA food distributions	49,584	18,107
Food purchases	48,905	57,267
Kid's Cafe program expenses	37,156	34,434
Mobile pantry expenses	11,500	--
Vehicle purchases	--	90,000
Disaster relief expenses	--	36,768
Agency handling fees	--	4,048
Total net assets released from restriction	\$ 2,025,895	\$ 1,867,595

NOTE 7 – 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, 2010 and 2009

NOTE 8 – 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, 2010 and 2009.

NOTE 9 – RETIREMENT PLAN

Savings Investment Match Plan for Employees (Plan)

The Organization adopted a 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 Organization 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 Organization for more than two years are eligible to participate. Employees are 100% vested as of the enrollment date. The total employer contributions for this Plan were \$8,723 and \$4,966 for the years ending August 31, 2010 and 2009, respectively.

NOTE 10 – FAIR VALUE MEASUREMENTS

The Financial Accounting Standards Board (FASB) issued FASB ASC 820-10-50-1 (prior authoritative literature: SFAS No. 157, "Fair Value Measurements"). FASB ASC 820-10-50-1 establishes a framework for measuring fair value and expands disclosures about fair value measurements. FASB ASC 820-10-50-1 clarifies the definition of exchange price as the price between market participants in an orderly transaction to sell an asset or liability in the market in which the reporting entity would transact for the asset or liability, that is, the principal or most advantageous market for the asset or liability. The changes to current practice resulting from the application of this statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements.

FASB ASC 820-10-50-1 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs.

THE FOOD BANK OF CORPUS CHRISTI
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2010 and 2009

NOTE 10 – FAIR VALUE MEASUREMENTS (continued)

An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact, and (iv) willing to transact.

FASB ASC 820-10-50-1 requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement costs). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability.

Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the assets or liability developed based on the best information available in the circumstances. In that regard, FASB ASC 820-10-50-1 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- Level 1 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability at the measurement date.
- Level 2 Inputs – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liability (for example interest rates, volatilities, credit risks and default rates) or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Inputs – Significant unobservable inputs that reflect an entity's own assumptions that market participants would use in pricing the assets or liabilities

THE FOOD BANK OF CORPUS CHRISTI
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2010 and 2009

NOTE 10 – FAIR VALUE MEASUREMENTS (continued)

Fair values of assets and liabilities measured on a recurring basis at August 31, 2010 and 2009 are as follows:

Fair Value Measurements at Reporting Date Using

	<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, 2010</u>				
Certificates of Deposit	\$ 1,140,316	\$ 1,140,316	\$ --	\$ --
Mutual funds-equity	99,153	99,153	--	--
Mutual funds-fixed income	134,120	134,120	--	--
Common Stock	2,694	2,694	--	--
Beneficial interest in assets held by the Coastal Bend Community Foundation	<u>548,230</u>	<u>548,230</u>	<u>--</u>	<u>--</u>
Total	\$ 1,924,513	\$ 1,924,513	\$ --	\$ --
<u>August 31, 2009</u>				
Certificates of Deposit	\$ 849,666	\$ 849,666	\$ --	\$ --
Mutual funds-equity	91,577	91,577	--	--
Mutual funds-fixed income	73,977	73,977	--	--
Common Stock	2,720	2,720	--	--
Beneficial interest in assets held by the Coastal Bend Community Foundation	<u>486,807</u>	<u>486,807</u>	<u>--</u>	<u>--</u>
Total	\$ 1,504,747	\$ 1,504,747	\$ --	\$ --

THE FOOD BANK OF CORPUS CHRISTI, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2010

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant Period	Receipts	Disbursements
<u>U.S. Department of Agriculture</u>				
Passed Through the Texas Health and Human Services Commission:				
<u>The Emergency Food Assistance - Cluster</u>				
Texas Commodity Assistance				
Emergency Food Assistance Program (Food Commodities)	10.569	9/01/09 - 8/31/10	\$ 1,566,592	\$ 1,736,379
Texas Commodity Assistance Emergency Food Assistance Program (Administrative Costs)	10.568	9/01/09 - 8/31/10	231,104	231,104
Supplemental Nutrition Assistance Program	10.561	9/01/09 - 8/31/10	45,981	45,981
Passed Through the Texas Food Bank Network:				
Food Stamp Outreach	N/A	9/01/09 - 8/31/10	53,926	53,926
Total U.S. Department of Agriculture			<u>1,897,603</u>	<u>2,067,390</u>
 <u>Federal Emergency Management Agency</u>				
Passed Through the United Way of America:				
Emergency Food and Shelter Program	97.024	9/01/09 - 8/31/10	\$ 16,000	\$ 15,223
Total Federal Awards			<u>\$ 1,913,603</u>	<u>\$ 2,082,613</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, 2010

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Food Bank of Corpus Christi, Inc. under programs of the federal government for the year ended August 31, 2010. 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*. 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 OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, 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 – FOOD DONATION

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, 2010, the Food Bank had \$337,352 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, 2010 and have issued our report thereon dated November 30, 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 as a basis for designing our auditing procedures 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 effectiveness over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Food Bank's internal control over financial reporting.

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

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.

A. J. Valdez, P. C.

November 30, 2010

GF Valdez, P.C.

A Public Accounting Firm

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Corpus Christi, Texas 78411
Phone 361-991-1650
Fax 361-991-1655

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 the 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, 2010. 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, 2010.

Internal Control over Compliance

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.

AJ Valdez, P.C.

November 30, 2010

THE FOOD BANK OF CORPUS CHRISTI, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended August 31, 2010

A	SUMMARY OF AUDIT RESULTS	
	<u>Financial Statements</u>	
	Type of auditor's report issued:	Unqualified
	<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:	Unqualified
	<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 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 PRIOR YEAR FINDINGS AND QUESTIONABLE COSTS
FOR THE YEAR ENDED AUGUST 31, 2010

A. Prior Year Findings - Financial Statement Audit

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:

Corrective action was taken in the manner outlined in our prior year corrective action plan.

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:

Corrective action was taken in the manner outlined in our prior year corrective action plan.

B. Prior Year Findings and Questioned Costs – Major Federal Award Programs Audit - None