

THE FOOD BANK OF CORPUS CHRISTI, INC.

FINANCIAL STATEMENTS AND
OTHER SUPPLEMENTAL INFORMATION

August 31, 2011 and 2010

THE FOOD BANK OF CORPUS CHRISTI, INC.

TABLE OF CONTENTS

	<u>Pages</u>
INDEPENDENT AUDITORS' REPORT	1 – 2
FINANCIAL STATEMENTS:	
Statements of Financial Position	3 – 4
Statements of Activities	5 – 6
Statements of Functional Expenses	7 – 8
Statements of Cash Flows	9
Notes to the Financial Statements	10 – 20
SINGLE AUDIT ACT COMPLIANCE:	
Schedule of Expenditures of Federal Awards	21
Notes to the Schedule of Expenditures of Federal Awards	22 – 23
Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit Performed in Accordance with Governmental Auditing Standards	24 – 25
Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	26 – 28
Schedule of Findings and Questioned Costs	29
Schedule of Prior Year Findings and Questioned Costs	30

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, Inc. (Food Bank) as of August 31, 2011 and 2010, 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 auditing standards generally accepted 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, 2011 and 2010, 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 December 16, 2011 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.

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

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.

December 16, 2011

THE FOOD BANK OF CORPUS CHRISTI, INC.
STATEMENT OF FINANCIAL POSITION
August 31, 2011

<u>ASSETS</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Current Assets				
Cash and cash equivalents	\$ -	\$ 109,351	\$ -	\$ 109,351
Investments	1,372,363	136,361	-	1,508,724
Accounts receivable	72,233	-	-	72,233
Donated food inventory, net of salvage	361,454	209,608	-	571,062
Purchased food inventory	20,967	-	-	20,967
Other assets	42,475	-	-	42,475
Total Current Assets	1,869,492	455,320	-	2,324,812
Beneficial interest in assets held by Coastal Bend Community Foundation	492,017	-	136,000	628,017
Property and equipment, net of accumulated depreciation	1,221,362	-	-	1,221,362
Total Assets	\$ 3,582,871	\$ 455,320	\$ 136,000	\$ 4,174,191
<u>LIABILITIES AND NET ASSETS</u>				
Liabilities				
Accounts payable	\$ 43,835	\$ -	\$ -	\$ 43,835
Deferred revenue - maintenance fees	14,773	-	-	14,773
Total Liabilities	58,608	-	-	58,608
Net Assets	3,524,263	455,320	136,000	4,115,583
Total Liabilities and Net Assets	\$ 3,582,871	\$ 455,320	\$ 136,000	\$ 4,174,191

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

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

<u>ASSETS</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</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	<u>2,057,656</u>	<u>683,638</u>	<u>-</u>	<u>2,741,294</u>
Beneficial interest in assets held by				
Coastal Bend Community Foundation	412,230	-	136,000	548,230
Property and equipment, net				
of accumulated depreciation	<u>1,104,193</u>	<u>-</u>	<u>-</u>	<u>1,104,193</u>
Total Assets	<u>\$ 3,574,079</u>	<u>\$ 683,638</u>	<u>\$ 136,000</u>	<u>\$ 4,393,717</u>
 <u>LIABILITIES AND NET ASSETS</u>				
Liabilities				
Accounts payable	\$ 49,317	\$ -	\$ -	\$ 49,317
Deferred revenue - maintenance fees	2,795	-	-	2,795
Total Liabilities	<u>52,112</u>	<u>-</u>	<u>-</u>	<u>52,112</u>
Net Assets	<u>3,521,967</u>	<u>683,638</u>	<u>136,000</u>	<u>4,341,605</u>
Total Liabilities and Net Assets	<u>\$ 3,574,079</u>	<u>\$ 683,638</u>	<u>\$ 136,000</u>	<u>\$ 4,393,717</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, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains and other support:				
Grants:				
USDA commodities	\$ -	\$ 2,914,808	\$ -	\$ 2,914,808
USDA administrative cost reimbursement	185,908	-	-	185,908
Neighborhood diabetes program	-	79,477	-	79,477
Mobile pantry income	53,224	-	-	53,224
USDA nutrition education reimbursement	51,368	-	-	51,368
Produce	50,000	-	-	50,000
TFBN Outreach reimbursement	45,316	-	-	45,316
Total grants	<u>385,816</u>	<u>2,994,285</u>	-	<u>3,380,101</u>
Value of donated food inventory, net of food scrapped of \$692,735	3,871,411	-	-	3,871,411
Donations and private grants	762,418	182,392	-	944,810
Handling fees	453,144	-	-	453,144
Change in value of amount held with				
Coastal Bend Community Foundation	70,796	-	-	70,796
Special events, net of expenses of \$12,615	51,533	10,000	-	61,533
Dividend and interest income	25,969	-	-	25,969
Miscellaneous income	12,935	-	-	12,935
Unrealized gains on investments	8,633	-	-	8,633
Net assets released from restrictions	3,414,995	(3,414,995)	-	-
Total revenues, gains and other support	<u>9,057,650</u>	<u>(228,318)</u>	-	<u>8,829,332</u>
Expenses:				
Program expenses	8,573,733	-	-	8,573,733
Supporting services:				
Administrative	321,155	-	-	321,155
Fundraising	160,466	-	-	160,466
Total expenses	<u>9,055,354</u>	<u>-</u>	<u>-</u>	<u>9,055,354</u>
(Decrease) in Net Assets	2,296	(228,318)	-	(226,022)
Net Assets, August 31, 2010	<u>3,521,967</u>	<u>683,638</u>	<u>136,000</u>	<u>4,341,605</u>
Net Assets, August 31, 2011	<u>\$ 3,524,263</u>	<u>\$ 455,320</u>	<u>\$ 136,000</u>	<u>\$ 4,115,583</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
USDA administrative cost reimbursement	231,104	-	-	231,104
Neighborhood diabetes program	-	160,985	-	160,985
TFBN Outreach reimbursement	53,926	-	-	53,926
Mobile pantry income	52,040	-	-	52,040
Produce	50,000	-	-	50,000
USDA nutrition education reimbursement	45,981	-	-	45,981
FEMA	-	16,000	-	16,000
Total grants	<u>433,051</u>	<u>1,743,577</u>	<u>-</u>	<u>2,176,628</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 \$11,377	44,039	8,246	-	52,285
Miscellaneous income	45,002	-	-	45,002
Dividend and interest income	42,619	-	-	42,619
Coastal Bend Community Foundation	42,076	-	-	42,076
Unrealized losses on investments	11,759	-	-	11,759
Change in value of amount held with Net assets released from restrictions	<u>2,025,895</u>	<u>(2,025,895)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>6,827,565</u>	<u>(192,788)</u>	<u>-</u>	<u>6,634,777</u>
Expenses:				
Program expenses	6,129,021	-	-	6,129,021
Supporting services:				
Administrative	282,047	-	-	282,047
Fundraising	141,984	-	-	141,984
Total expenses	<u>6,553,052</u>	<u>-</u>	<u>-</u>	<u>6,553,052</u>
Increase (decrease) 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 FUNCTIONAL EXPENSES
For the Year Ended August 31, 2011

	Program Services	Supporting Services			Total Expenses
		Administrative	Fundraising	Total	
Food distributed	\$ 7,187,583	\$ -	\$ -	\$ -	\$ 7,187,583
Salaries and wages	421,079	207,397	-	207,397	628,476
Outreach expense	184,255	-	-	-	184,255
Fundraising expense	-	-	157,384	157,384	157,384
Insurance	77,702	38,271	-	38,271	115,973
Depreciation expense	100,767	13,683	-	13,683	114,450
Repairs	90,730	-	-	-	90,730
Food purchases	77,402	-	-	-	77,402
Nutrition education expense	74,051	-	-	-	74,051
Produce expense	58,623	-	-	-	58,623
Utilities	49,327	7,047	-	7,047	56,374
Payroll tax expense	32,179	15,849	-	15,849	48,028
Mobile pantry expense	43,994	-	-	-	43,994
Truck and van expenses	42,795	-	-	-	42,795
Office expense	13,868	13,867	3,082	16,949	30,817
Freight expenses	29,652	-	-	-	29,652
Storage	24,633	-	-	-	24,633
Travel expenses	10,592	10,591	-	10,591	21,183
Warehouse expenses	16,872	2,410	-	2,410	19,282
Membership fees	16,253	-	-	-	16,253
Professional fees	-	10,784	-	10,784	10,784
Miscellaneous	9,663	-	-	-	9,663
Postage	5,084	-	-	-	5,084
Kids Café expenses	4,079	-	-	-	4,079
Bank fees	2,550	1,256	-	1,256	3,806
	<u>\$ 8,573,733</u>	<u>\$ 321,155</u>	<u>\$ 160,466</u>	<u>\$ 481,621</u>	<u>\$ 9,055,354</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 Expenses
		Administrative	Fundraising	Total	
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	-	-	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
Utilities	49,234	7,034	-	7,034	56,268
Food purchases	56,102	-	-	-	56,102
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	13,920	13,921	3,094	17,015	30,935
Freight expenses	29,002	-	-	-	29,002
Warehouse expenses	18,966	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
Miscellaneous	4,693	-	-	-	4,693
Postage	4,399	-	-	-	4,399
Bank fees	2,833	1,396	-	1,396	4,229
	<u>\$ 6,129,021</u>	<u>\$ 282,047</u>	<u>\$ 141,984</u>	<u>\$ 424,031</u>	<u>\$ 6,553,052</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, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
(Decreased) Increase in net assets	\$ (226,022)	\$ 81,725
Adjustments to reconcile net assets to net cash provided by operating activities		
Depreciation	114,450	99,461
Donation of vehicle	(59,807)	-
Unrealized losses (gains) on investments	11,508	(16,704)
Unrealized loss disposal of assets	222	-
In-kind contribution of food and non-food items	(7,478,953)	(5,381,167)
Distributions of in-kind food and non-food items	7,737,243	5,698,577
(Increase) in beneficial interest held at Coastal Bend Community Foundation	(79,787)	(61,423)
Decrease (increase) in:		
Accounts receivable	1,039	23,033
Purchased inventory	26,497	4,651
Other assets	-	(12,481)
Increase (decrease) in:		
Accounts payable	(5,482)	49,317
Accrued expenses	11,978	(6,745)
Net cash provided by operating activities	52,886	478,244
Cash flows from investing activities:		
Purchase of investments	(1,318,880)	(1,223,765)
Redemption of investments	1,174,931	882,126
Capital expenditures	(172,034)	(75,456)
Net cash used in investing activities	(315,983)	(417,095)
Cash flows from financing activities:	-	-
Net change in cash	(263,097)	61,149
Cash at beginning of year	372,448	311,299
Cash at end of year	\$ 109,351	\$ 372,448

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

THE FOOD BANK OF CORPUS CHRISTI, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2011 and 2010

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 \$2,444,154 and \$1,491,875, (28% and 17% of revenues), for the years ended August 31, 2011 and 2010, 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 958-205, "Not for Profit Entities-Presentation of Financial Statements." The Food Bank follows the provisions of FASB ASC 958-205. Under FASB ASC 958-205, 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.

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted assets – Net assets subject to donor-imposed stipulations that may be met, either by actions of the organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the organization. Generally, the donors of these assets permit the Food Bank to use all or part of the income earned on any related investments for general or specific purposes.

THE FOOD BANK OF CORPUS CHRISTI, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2011 and 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 of up to \$250,000 under the Federal Deposit Insurance Corporation (FDIC). Management believes it is not exposed to any significant risk on cash accounts.

Shared Maintenance Fees

The Food Bank receives fees from participating agencies to assist in the costs of distributing food. These shared maintenance fees are based on predetermined rates from \$0.00 to \$.14 per pound.

Accounts Receivable

Accounts receivable represent amounts due from agencies and others and are stated at the amount the Food Bank expects to collect for shared maintenance fees and grants from government agencies. Provision for losses on receivables is made when considered necessary to maintain an adequate allowance to cover bad debts. Receivables are charged against the allowance when the Food Bank determines that payments will not be received. Any subsequent receipts are credited to the allowance. As of August 31, 2011 and 2010, management estimates that no reserve for losses on receivables is required.

Investments

The Food Bank adopted FASB ASC 958-320. 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 (SIPC). The Food Bank has not experienced any realized losses on such amounts.

Reclassifications

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

THE FOOD BANK OF CORPUS CHRISTI, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2011 and 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The Food Bank capitalizes all expenditures for property and equipment in excess of \$2,000. 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 is stated at the lower of cost or market determined by the first-in, first-out method. Inventory consists of donated food and non-food items, purchased food, and commodities received from the United States Department of Agriculture (USDA). Donated food and non-food items were valued at \$1.60 and \$1.58 per pound for the years ended August 31, 2011 and 2010, 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, 2011 and 2010 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) ASC 958-605. 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.

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.

THE FOOD BANK OF CORPUS CHRISTI, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2011 and 2010

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. The Food Bank received 23,555 hours of services from 4,628 volunteers for the year ending August 31, 2011. 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.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Food Bank reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed net assets at that time.

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. The Food Bank's Form 990, Return of Organization Exempt from Income Tax, for the years ending 2008, 2009, and 2010 are subject to examination by the IRS, generally for three years after they were filed.

Date of Management's Review

Management of the Food Bank has evaluated subsequent events for disclosure through December 16, 2011, the date the financial statements were available to be issued.

NOTE 3 – CONTINGENCIES

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

THE FOOD BANK OF CORPUS CHRISTI, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2011 and 2010

NOTE 4 – 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, 2011</u>				
Certificates of Deposit	\$1,033,292	\$ --	\$ --	\$ 1,033,292
Mutual Funds – Equity	339,499	--	8,419	331,080
Mutual Funds - Fixed	144,776	--	3,089	141,687
Common Stock	<u>2,665</u>	<u>--</u>	<u>--</u>	<u>2,665</u>
	<u>\$1,520,232</u>	<u>\$ --</u>	<u>\$ 11,508</u>	<u>\$ 1,508,724</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>

No realized gains or losses were recognized for the years ended August 31, 2011 and 2010.

NOTE 5 – PROPERTY AND EQUIPMENT

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

	<u>2011</u>	<u>2010</u>
Building and improvements	\$ 1,110,810	\$ 1,055,782
Warehouse and freezer	427,885	427,885
Furniture and equipment	236,188	275,970
Vehicles	493,017	355,870
Land	<u>135,605</u>	<u>135,605</u>
	2,403,505	2,251,112
Less: Accumulated depreciation	<u>(1,182,143)</u>	<u>(1,146,919)</u>
Property and equipment, net	<u>\$ 1,221,362</u>	<u>\$ 1,104,193</u>

Depreciation expense for the years ended August 31, 2011 and 2010 totaled \$114,450 and \$107,418, respectively.

THE FOOD BANK OF CORPUS CHRISTI, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2011 and 2010

NOTE 6 – INVENTORY

Inventory consisted of the following as of August 31:

	<u>2011</u>		<u>2010</u>	
	<u>Pounds</u>	<u>Dollars</u>	<u>Pounds</u>	<u>Dollars</u>
Donated inventory:				
Donated inventory	225,767	\$ 361,211	311,758	\$ 491,170
USDA commodities	131,005	209,608	304,627	337,352
FEMA commodities	--	--	8,085	11,899
	<u>356,772</u>	<u>\$ 570,819</u>	<u>624,470</u>	<u>\$ 840,421</u>
Purchased food inventory:				
FEMA purchased inventory	20,670	\$ 20,967	49,098	\$ 33,037
Other purchased inventory	<u>2,431</u>	<u>243</u>	<u>23,534</u>	<u>3,358</u>
	<u>23,101</u>	<u>\$ 21,210</u>	<u>72,632</u>	<u>\$ 36,395</u>

NOTE 7 – CONCENTRATIONS

The Food Bank receives a large portion of its food supplies from the U.S. Department of Agriculture via the Emergency Food Assistance Programs. During the year, these commodities comprised approximately 38% of the total value of all donated food received. During the year, a grant to reimburse administrative costs with the U.S. Department of Agriculture provided approximately 72% of the assistance necessary to fund the administrative operations of the Food Bank.

NOTE 8 – RETIREMENT 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 \$8,433 and \$8,723 for the years ending August 31, 2011 and 2010, respectively.

THE FOOD BANK OF CORPUS CHRISTI, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2011 and 2010

NOTE 9 – RESTRICTED NET ASSETS

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

	<u>2011</u>	<u>2010</u>
Commodities for distribution:		
USDA commodities	\$ 209,608	\$ 337,352
FEMA purchased inventory	--	11,899
	<u>209,608</u>	<u>349,251</u>
Kid’s Cafe program	119,770	158,017
Food purchases	36,661	72,554
Diabetes program	--	66,254
Mobile pantry	29,230	--
Disaster relief	24,319	24,319
Walk-in freezer and computers	12,120	--
Agency handling fees	10,460	10,460
Fundraiser expenses	5,000	--
Back pack program	4,148	--
Nutrition education	3,000	1,000
FEMA purchases	<u>1,004</u>	<u>1,783</u>
Total temporarily restricted net assets	<u>\$ 455,320</u>	<u>\$ 683,638</u>

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

	<u>2011</u>	<u>2010</u>
Restrictions accomplished:		
USDA commodities distributions	\$ 3,042,552	\$ 1,493,390
Neighborhood diabetes program	145,731	142,371
Food purchases	86,533	48,905
Kid’s Cafe program expenses	58,355	37,156
Mobile pantry expenses	43,994	11,500
Back-Pack expenses	19,352	--
FEMA food distributions	12,678	49,584
Fundraiser expenses	5,000	--
School computers	800	--
USDA-SK commodities distributions	<u>--</u>	<u>242,989</u>
Total net assets released from restriction	<u>\$ 3,414,995</u>	<u>\$ 2,025,895</u>

THE FOOD BANK OF CORPUS CHRISTI, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2011 and 2010

NOTE 10 – 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, 2011 and 2010.

NOTE 11 – OPERATING LEASES

The Food Bank has several non-cancelable operating leases, primarily for use of copier equipment. Those leases generally contain renewal options for various periods and require the Food Bank to pay all executor costs such as taxes, maintenance, and insurance. Total lease expense for 2011 and 2010 was \$4,803 for both years. Future minimum lease payments under operating leases that have remaining terms in excess of one year as of August 31, 2011, are:

<u>August 31, 2011</u>	
2012	\$ 3,651
2013	<u>1,906</u>
Total	<u>\$ 5,557</u>

NOTE 12 – FAIR VALUE MEASUREMENTS

The Financial Accounting Standards Board (FASB) issued FASB ASC 820-10-50 which establishes a framework for measuring fair value and expands disclosures about fair value measurements. FASB ASC 820-10-50 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.

THE FOOD BANK OF CORPUS CHRISTI, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2011 and 2010

NOTE 12 – FAIR VALUE MEASUREMENTS (continued)

FASB ASC 820-10-50 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.

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 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 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:

THE FOOD BANK OF CORPUS CHRISTI, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2011 and 2010

NOTE 12 – FAIR VALUE MEASUREMENTS (continued)

- 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

Fair values of assets and liabilities measured on a recurring basis at August 31, 2011 and 2010 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, 2011</u>				
Certificates of Deposit	\$ 1,033,292	\$ 1,033,292	\$ --	\$ --
Mutual funds-equity	331,080	331,080	--	--
Mutual funds-fixed income	141,687	141,687	--	--
Common Stock	2,665	2,665	--	--
Beneficial interest in assets held by the Coastal Bend Community Foundation	<u>628,017</u>	<u>628,017</u>	<u>--</u>	<u>--</u>
Total	\$ 2,136,741	\$ 2,136,741	\$	\$

THE FOOD BANK OF CORPUS CHRISTI, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2011 and 2010

NOTE 12 – FAIR VALUE MEASUREMENTS (continued)

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	\$ --	\$ --

THE FOOD BANK OF CORPUS CHRISTI, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2011

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	10/01/10 - 9/30/11	\$ 2,914,808	\$ 3,042,552
Texas Commodity Assistance Emergency Food Assistance Program (Administrative Costs)	10.568	10/01/10 - 9/30/11	176,442	176,442
Supplemental Nutrition Assistance Program	10.561	10/01/10 - 9/30/11	57,629	57,629
Passed Through the				
Texas Food Bank Network:				
Food Stamp Outreach	N/A	10/01/10 - 9/30/11	<u>37,636</u>	<u>37,636</u>
Total U.S. Department of Agriculture			<u>3,186,515</u>	<u>3,314,259</u>
Total Federal Awards			<u>\$ 3,186,515</u>	<u>\$ 3,314,259</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, 2011

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, 2011. 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 – RECONCILIATION OF FEDERAL AWARDS TO THE FINANCIAL STATEMENTS

Total expenditures of federal awards	\$ 3,314,259
Non-federal expenditures	<u>5,741,095</u>
Total expenses per statement of activities	<u>\$ 9,055,354</u>

The Food Bank considers all USDA donated foods distributed or used in a fiscal year as expended for purposes of the schedule of expenditures of federal awards. Therefore, there are differences in amounts reported on the statement of activities as revenues and amounts reported on the schedule of expenditures of federal awards as expenditures. The following table reconciles these amounts.

Total federal awards per the statement of activities	\$ 2,914,808
Change in USDA inventories	<u>399,451</u>
Total expenditures of federal awards	<u>\$ 3,314,259</u>

THE FOOD BANK OF CORPUS CHRISTI, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2011

NOTE 4 – FOOD DONATION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. As of August 31, 2011, the Food Bank had \$209,608 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, 2011 and have issued our report thereon dated December 16, 2011. 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.

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

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 16, 2011.

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.

GF Valdez, P.C.

December 16, 2011

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON 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 could have a direct and material effect on each of its major federal programs for the year ended August 31, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended August 31, 2011.

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

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.

We have audited the financial statements of the Food Bank as of and for the year ended August 31, 2011, and have issued our report thereon dated December 16, 2011, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

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.

GF Valdez, P.C.

December 16, 2011

THE FOOD BANK OF CORPUS CHRISTI, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended August 31, 2011

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	

FOOD BANK OF CORPUS CHRISTI, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONABLE COSTS
For the year ended August 31, 2011

A. Prior Year Findings - Financial Statement Audit - None

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