

THE FOOD BANK OF CORPUS CHRISTI, INC.

FINANCIAL STATEMENTS AND  
OTHER SUPPLEMENTAL INFORMATION

August 31, 2013 and 2012

THE FOOD BANK OF CORPUS CHRISTI, INC.

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**GF Valdez, P.C.**

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the The Food Bank of Corpus Christi, Inc. (Food Bank), which comprise the statement of financial position as of August 31, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

**GF Valdez, P.C.**

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the The Food Bank of Corpus Christi, Inc. as of August 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2013, on our consideration of The Food Bank of Corpus Christi, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Food Bank of Corpus Christi, Inc.'s internal control over financial reporting and compliance.

*GF Valdez, P.C.*

December 17, 2013  
Corpus Christi, Texas

THE FOOD BANK OF CORPUS CHRISTI, INC.  
STATEMENT OF FINANCIAL POSITION  
August 31, 2013

<u>ASSETS</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Current Assets</b>				
Cash and cash equivalents	\$ -	\$ 33,392	\$ -	\$ 33,392
Investments	1,521,310	203,394	-	1,724,704
Accounts receivable	52,480	-	-	52,480
Donated food inventory, net of salvage	424,422	748,967	-	1,173,389
Purchased food inventory	107,008	-	-	107,008
Other assets	5,711	-	-	5,711
<b>Total Current Assets</b>	<u>2,110,931</u>	<u>985,753</u>	<u>-</u>	<u>3,096,684</u>
<b>Beneficial interest in assets held by</b>				
Coastal Bend Community Foundation	573,172	-	136,000	709,172
<b>Property and equipment, net</b>				
of accumulated depreciation	<u>1,414,025</u>	<u>-</u>	<u>-</u>	<u>1,414,025</u>
<b>Total Assets</b>	<u>\$ 4,098,128</u>	<u>\$ 985,753</u>	<u>\$ 136,000</u>	<u>\$ 5,219,881</u>
 <u>LIABILITIES AND NET ASSETS</u>				
<b>Liabilities</b>				
Accounts payable	\$ 48,779	\$ -	\$ -	\$ 48,779
Deferred revenue - maintenance fees	33,246	-	-	33,246
<b>Total Liabilities</b>	<u>82,025</u>	<u>-</u>	<u>-</u>	<u>82,025</u>
<b>Net Assets</b>	<u>4,016,103</u>	<u>985,753</u>	<u>136,000</u>	<u>5,137,856</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 4,098,128</u>	<u>\$ 985,753</u>	<u>\$ 136,000</u>	<u>\$ 5,219,881</u>

See accompanying notes.

THE FOOD BANK OF CORPUS CHRISTI, INC.  
STATEMENT OF FINANCIAL POSITION  
August 31, 2012

<u>ASSETS</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Current Assets</b>				
Cash and cash equivalents	\$ -	\$ 93,633	\$ -	\$ 93,633
Investments	1,469,574	258,619	-	1,728,193
Accounts receivable	63,891	-	-	63,891
Donated food inventory, net of salvage	464,860	365,434	-	830,294
Purchased food inventory	18,615	-	-	18,615
Other assets	42,475	-	-	42,475
<b>Total Current Assets</b>	<u>2,059,415</u>	<u>717,686</u>	<u>-</u>	<u>2,777,101</u>
<b>Beneficial interest in assets held by</b>				
Coastal Bend Community Foundation	524,903	-	136,000	660,903
<b>Property and equipment, net</b>				
of accumulated depreciation	<u>1,298,953</u>	<u>-</u>	<u>-</u>	<u>1,298,953</u>
<b>Total Assets</b>	<u>\$ 3,883,271</u>	<u>\$ 717,686</u>	<u>\$ 136,000</u>	<u>\$ 4,736,957</u>
 <u>LIABILITIES AND NET ASSETS</u>				
<b>Liabilities</b>				
Accounts payable	\$ 2,955	\$ -	\$ -	\$ 2,955
Deferred revenue - maintenance fees	14,183	-	-	14,183
<b>Total Liabilities</b>	<u>17,138</u>	<u>-</u>	<u>-</u>	<u>17,138</u>
<b>Net Assets</b>	<u>3,866,133</u>	<u>717,686</u>	<u>136,000</u>	<u>4,719,819</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 3,883,271</u>	<u>\$ 717,686</u>	<u>\$ 136,000</u>	<u>\$ 4,736,957</u>

See accompanying notes.

THE FOOD BANK OF CORPUS CHRISTI, INC.  
STATEMENT OF ACTIVITIES  
For the Year Ended August 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Grants:				
USDA commodities	\$ -	\$ 2,776,383	\$ -	\$ 2,776,383
Neighborhood diabetes program	7,019	283,124	-	290,143
USDA administrative cost reimbursement	181,868	-	-	181,868
Mobile pantry income	36,053	-	-	36,053
TFBN Outreach reimbursement	49,212	-	-	49,212
Produce	-	50,000	-	50,000
USDA nutrition education reimbursement	37,509	4,800	-	42,309
FEMA	-	10,000	-	10,000
Total grants	<u>311,661</u>	<u>3,124,307</u>	<u>-</u>	<u>3,435,968</u>
Value of donated food inventory, net of food scrapped of \$744,426	5,711,820	-	-	5,711,820
Donations and private grants	1,229,492	213,890	-	1,443,382
Handling fees	561,630	-	-	561,630
Special events, net of expenses of \$19,707	74,205	-	-	74,205
Change in value of amount held with Coastal Bend Community Foundation	48,269	-	-	48,269
Dividend and interest income	46,260	-	-	46,260
Unrealized gains on investments	39,241	-	-	39,241
Miscellaneous income	4,355	-	-	4,355
Loss on sale of property and equipment	(2,968)	-	-	(2,968)
Net assets released from restrictions	<u>3,070,130</u>	<u>(3,070,130)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>11,094,095</u>	<u>268,067</u>	<u>-</u>	<u>11,362,162</u>
Expenses:				
Program expenses	10,326,331	-	-	10,326,331
Supporting services:				
Administrative	418,912	-	-	418,912
Fundraising	198,882	-	-	198,882
Total expenses	<u>10,944,125</u>	<u>-</u>	<u>-</u>	<u>10,944,125</u>
Increase in Net Assets	149,970	268,067	-	418,037
Net Assets, August 31, 2012	<u>3,866,133</u>	<u>717,686</u>	<u>136,000</u>	<u>4,719,819</u>
Net Assets, August 31, 2013	<u>\$ 4,016,103</u>	<u>\$ 985,753</u>	<u>\$ 136,000</u>	<u>\$ 5,137,856</u>

See accompanying notes.

THE FOOD BANK OF CORPUS CHRISTI, INC.  
STATEMENT OF ACTIVITIES  
For the Year Ended August 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues, gains and other support:</b>				
<b>Grants:</b>				
USDA commodities	\$ -	\$ 2,056,249	\$ -	\$ 2,056,249
Neighborhood diabetes program	-	297,845	-	297,845
USDA administrative cost reimbursement	190,340	-	-	190,340
Mobile pantry income	56,836	-	-	56,836
TFBN Outreach reimbursement	50,196	-	-	50,196
Produce	50,000	-	-	50,000
USDA nutrition education reimbursement	43,250	2,400	-	45,650
FEMA	-	10,000	-	10,000
<b>Total grants</b>	<u>390,622</u>	<u>2,366,494</u>	<u>-</u>	<u>2,757,116</u>
Value of donated food inventory, net of food scrapped of \$879,060	5,847,097	-	-	5,847,097
Donations and private grants	1,053,631	311,304	-	1,364,935
Handling fees	486,184	-	-	486,184
Special events, net of expenses of \$9,032	53,342	3,000	-	56,342
Change in value of amount held with Coastal Bend Community Foundation	45,955	-	-	45,955
Dividend and interest income	42,498	-	-	42,498
Unrealized gains on investments	14,923	-	-	14,923
Gain on sale of property and equipment	4,050	-	-	4,050
Miscellaneous income	2,671	-	-	2,671
Net assets released from restrictions	2,418,432	(2,418,432)	-	-
<b>Total revenues, gains and other support</b>	<u>10,359,405</u>	<u>262,366</u>	<u>-</u>	<u>10,621,771</u>
<b>Expenses:</b>				
Program expenses	9,449,563	-	-	9,449,563
Supporting services:				
Administrative	379,811	-	-	379,811
Fundraising	188,161	-	-	188,161
<b>Total expenses</b>	<u>10,017,535</u>	<u>-</u>	<u>-</u>	<u>10,017,535</u>
Increase in Net Assets	341,870	262,366	-	604,236
Net Assets, August 31, 2011	<u>3,524,263</u>	<u>455,320</u>	<u>136,000</u>	<u>4,115,583</u>
Net Assets, August 31, 2012	<u>\$ 3,866,133</u>	<u>\$ 717,686</u>	<u>\$ 136,000</u>	<u>\$ 4,719,819</u>

See accompanying notes.



THE FOOD BANK OF CORPUS CHRISTI, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended August 31, 2013

	Program Services	Supporting Services			Total Expenses
		Administrative	Fundraising	Total	
Food distributed	\$ 8,460,209	\$ -	\$ -	\$ -	\$ 8,460,209
Salaries and wages	546,664	269,253	-	269,253	815,917
Food purchases	269,166	-	-	-	269,166
Insurance	162,065	60,923	-	60,923	222,988
Fundraising expense	-	-	195,765	195,765	195,765
Outreach expense	157,202	-	-	-	157,202
Depreciation expense	124,040	15,199	-	15,199	139,239
Mobile pantry expense	106,576	-	-	-	106,576
Repairs and maintenance	79,780	-	-	-	79,780
Payroll tax expense	43,072	21,214	-	21,214	64,286
Truck and van expense	62,648	-	-	-	62,648
Produce expense	54,672	-	-	-	54,672
Utilities	47,699	6,814	-	6,814	54,513
Nutrition education expense	50,292	-	-	-	50,292
Storage	38,980	-	-	-	38,980
Warehouse expenses	34,898	-	-	-	34,898
Office expense	16,780	12,467	3,117	15,584	32,364
Professional fees	-	23,994	-	23,994	23,994
Miscellaneous	21,976	-	-	-	21,976
Membership fees	19,014	-	-	-	19,014
Freight expenses	15,223	-	-	-	15,223
Travel expenses	7,245	7,245	-	7,245	14,490
Bank fees	3,662	1,803	-	1,803	5,465
Postage	4,468	-	-	-	4,468
	<u>\$ 10,326,331</u>	<u>\$ 418,912</u>	<u>\$ 198,882</u>	<u>\$ 617,794</u>	<u>\$ 10,944,125</u>

See accompanying notes.

THE FOOD BANK OF CORPUS CHRISTI, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended August 31, 2012

	Program Services	Supporting Services			Total Expenses
		Administrative	Fundraising	Total	
Food distributed	\$ 7,860,916	\$ -	\$ -	\$ -	\$ 7,860,916
Salaries and wages	518,431	255,346	-	255,346	773,777
Outreach expense	200,822	-	-	-	200,822
Fundraising	-	-	185,282	185,282	185,282
Insurance	95,385	46,981	-	46,981	142,366
Depreciation expense	106,610	15,199	-	15,199	121,809
Food purchases	115,737	-	-	-	115,737
Repairs and maintenance	73,069	-	-	-	73,069
Produce expense	68,570	-	-	-	68,570
Mobile pantry expense	67,450	-	-	-	67,450
Payroll tax expense	40,434	19,916	-	19,916	60,350
Nutrition education expense	59,101	-	-	-	59,101
Truck and van expenses	55,836	-	-	-	55,836
Utilities	42,745	6,107	-	6,107	48,852
Warehouse expenses	36,611	-	-	-	36,611
Office expense	12,954	12,955	2,879	15,834	28,788
Membership fees	20,825	-	-	-	20,825
Miscellaneous	20,451	-	-	-	20,451
Freight expenses	19,695	-	-	-	19,695
Storage	19,586	-	-	-	19,586
Professional fees	-	14,718	-	14,718	14,718
Travel expenses	7,072	7,072	-	7,072	14,144
Bank fees	3,081	1,517	-	1,517	4,598
Postage	4,182	-	-	-	4,182
	<u>\$ 9,449,563</u>	<u>\$ 379,811</u>	<u>\$ 188,161</u>	<u>\$ 567,972</u>	<u>\$ 10,017,535</u>

See accompanying notes.

THE FOOD BANK OF CORPUS CHRISTI, INC.  
 STATEMENTS OF CASH FLOWS  
 For the Years Ended August 31, 2013 and 2012

	2013	2012
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 418,037	\$ 604,236
Adjustments to reconcile net assets to net cash provided by operating activities		
Depreciation	139,239	121,809
Donation of property & equipment	(139,871)	(33,000)
Unrealized gains on investments	(39,241)	(49,374)
Loss (gain) on sale/disposal of property and equipment	2,968	(4,050)
In-kind contribution of food and non-food items	(9,242,632)	(8,792,752)
Distributions of in-kind food and non-food items	8,899,537	8,533,520
Increase in beneficial interest held at Coastal Bend Community Foundation	(48,269)	(32,886)
Decrease (increase) in:		
Accounts receivable	11,411	8,342
Purchased inventory	(88,393)	2,352
Other assets	36,764	-
Increase (decrease) in:		
Accounts payable	45,824	(40,880)
Accrued expenses	19,063	(590)
	14,437	316,727
<b>Cash flows from investing activities:</b>		
Purchases of investments	(1,034,071)	(574,427)
Redemption of investments	1,076,801	404,332
Proceeds from sale of property and equipment	2,000	4,050
Purchases of property and equipment	(119,408)	(166,400)
	(74,678)	(332,445)
<b>Cash flows from financing activities:</b>	-	-
Net change in cash	(60,241)	(15,718)
Cash at beginning of year	93,633	109,351
Cash at end of year	\$ 33,392	\$ 93,633

See accompanying notes.

THE FOOD BANK OF CORPUS CHRISTI, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended August 31, 2013 and 2012

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 Food Bank's purpose is to collect and warehouse salvageable food, which has been donated by organizations and businesses, and distribute it to other non-profit agencies (agencies) which feed and distribute food to low-income families and individuals. The Food Bank services agencies within an eleven county area of South Texas. 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 food and non-perishable items received from supermarket chains was \$5,676,763 and \$4,423,948, (50% and 42% of revenues), for the years ended August 31, 2013 and 2012, 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, 2013 and 2012

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 \$0.16 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, 2013 and 2012, 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, 2013 and 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Conditional Promises to Give

Conditional promises to give depend on the occurrence of a specified future and uncertain event to bind the donor. These contributions are recognized only when the conditions are met. If any contributions are received prior to the conditions being met, the assets will be accounted for as a liability. Once the conditions are met, the liability is removed and revenue is recognized.

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 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 \$1.66 per pound for the years ended August 31, 2013 and 2012. This valuation is based on cost studies conducted for America's Second Harvest. Purchased food is valued at the latest purchase price. USDA commodities are valued based on published USDA fair market values. USDA commodities and FEMA purchased inventory amounts as of August 31, 2013 and 2012 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.

THE FOOD BANK OF CORPUS CHRISTI, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended August 31, 2013 and 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Donated Services

The Food Bank receives services donated from its members in carrying out the Food Bank'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 25,774 hours of services from 3,914 volunteers for the year ending August 31, 2013. The Food Bank received 25,233 hours of services from 3,311 volunteers for the year ending August 31, 2012. 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 2010, 2011, and 2012 are subject to examination by the IRS, generally for three years after they were filed.

NOTE 3 – CONDITIONAL PROMISES TO GIVE

The Food Bank had a conditional promise of \$303,247 and \$575,941 at August 31, 2013 and 2012, respectively. This promise represents a grant from a community foundation to support the Food Bank's diabetes program.

THE FOOD BANK OF CORPUS CHRISTI, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended August 31, 2013 and 2012

NOTE 4 – CONTINGENCIES

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

In May 2013, the Food Bank was named a party in an age-discrimination litigation action. This action is ongoing as of the date of the financial statements were available to be issued. The Food Bank does not believe the action will have a material effect on the financial statements.

NOTE 5 – SUBSEQUENT EVENTS

Management of the Food Bank has evaluated subsequent events for disclosure through December 17, 2013, the date the financial statements were available to be issued.

NOTE 6 – INVESTMENTS

Investments consisted of the following as of August 31:

	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
<u>August 31, 2013</u>				
Certificates of Deposit	\$ 238,801	\$ --	\$ --	\$ 238,801
Mutual Funds – Equity	1,293,388	33,188	--	1,326,576
Mutual Funds – Fixed Income	150,631	6,053	--	156,684
Common Stock	<u>2,643</u>	<u>--</u>	<u>--</u>	<u>2,643</u>
	<u>\$1,685,463</u>	<u>\$ 39,241</u>	<u>\$ --</u>	<u>\$ 1,724,704</u>
 <u>August 31, 2012</u>				
Certificates of Deposit	\$1,195,193	\$ --	\$ --	\$ 1,195,193
Mutual Funds – Equity	344,432	33,073	--	377,505
Mutual Funds – Fixed Income	152,852	--	--	152,852
Common Stock	<u>2,643</u>	<u>--</u>	<u>--</u>	<u>2,643</u>
	<u>\$1,695,120</u>	<u>\$ 33,073</u>	<u>\$ --</u>	<u>\$ 1,728,193</u>

Net interest and dividend income for the years ending August 31, 2013 and 2012 were \$46,260 and \$42,498, respectively. No realized gains or losses were recognized for the years ended August 31, 2013 and 2012.



THE FOOD BANK OF CORPUS CHRISTI, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended August 31, 2013 and 2012

NOTE 7 – PROPERTY AND EQUIPMENT

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

	<u>2013</u>	<u>2012</u>
Building and improvements	\$ 1,207,964	\$ 1,188,482
Warehouse and freezer	530,790	506,484
Furniture and equipment	260,239	269,515
Vehicles	596,672	480,051
Land	<u>135,605</u>	<u>135,605</u>
	2,731,270	2,580,137
Less: Accumulated depreciation	<u>(1,317,245)</u>	<u>(1,281,184)</u>
Property and equipment, net	<u>\$ 1,414,025</u>	<u>\$ 1,298,953</u>

Depreciation expense for the years ended August 31, 2013 and 2012 totaled \$139,239 and \$121,809, respectively.

NOTE 8 – INVENTORY

Inventory consisted of the following as of August 31:

	<u>2013</u>		<u>2012</u>	
	<u>Pounds</u>	<u>Dollars</u>	<u>Pounds</u>	<u>Dollars</u>
Donated inventory:				
Donated inventory	255,676	\$ 424,422	280,036	\$ 464,860
USDA commodities	<u>451,185</u>	<u>748,967</u>	<u>220,141</u>	<u>365,434</u>
	<u>706,861</u>	<u>\$1,173,389</u>	<u>500,177</u>	<u>\$ 830,294</u>
Purchased food inventory:				
FEMA purchased inventory	--	\$ --	--	\$ --
Other purchased inventory	<u>106,353</u>	<u>107,008</u>	<u>12,376</u>	<u>18,615</u>
	<u>106,353</u>	<u>\$ 107,008</u>	<u>12,376</u>	<u>\$ 18,615</u>

THE FOOD BANK OF CORPUS CHRISTI, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended August 31, 2013 and 2012

NOTE 9 – CONCENTRATIONS

The Food Bank receives a large portion of its food supplies from the U.S. Department of Agriculture via the Emergency Food Assistance Programs. For the years ending August 31, 2013 and 2012, these commodities comprised approximately 29% and 23%, respectively, of the total value of all donated food received. A grant to reimburse administrative costs with the U.S. Department of Agriculture provided approximately 45% and 48% of the assistance necessary to fund the administrative operations of the Food Bank for the years ending August 31, 2013 and 2012, respectively.

NOTE 10 – RETIREMENT PLAN

The Food Bank adopted a retirement plan (Plan) effective March 28, 2008 for all employees of the organization. Benefits depend solely on amounts contributed to the Plan plus investment earnings. Under the terms of the Plan, the Food Bank matches employee contributions to the Plan, up to 5% of the employee's salary. All employees who earn at least \$5,000 in compensation and are employed by the Food Bank for more than six months are eligible to participate. Employees are 100% vested as of the enrollment date. The total employer contributions for this Plan were \$14,784 and \$14,641 for the years ending August 31, 2013 and 2012, respectively.

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 costs such as taxes, maintenance, and insurance. Total lease expense for 2013 and 2012 was \$4,297 and \$6,160, respectively. Future minimum lease payments under operating leases that have remaining terms in excess of one year as of August 31, 2013, are:

<u>Year</u>	<u>Amount</u>
2014	\$ 4,297
2015	4,184
2016	2,940
2017	<u>2,940</u>
Total	<u>\$ 14,361</u>

THE FOOD BANK OF CORPUS CHRISTI, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended August 31, 2013 and 2012

NOTE 12 – RESTRICTED NET ASSETS

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

	<u>2013</u>	<u>2012</u>
Commodities for distribution:		
USDA commodities	\$ 748,967	\$ 365,434
FEMA purchased inventory	--	--
	<u>748,967</u>	<u>365,434</u>
Kid's Cafe program	103,765	117,493
Donation coordinator	50,250	--
Diabetes program	39,373	47,051
Disaster relief	24,319	24,319
Mobile pantry	18,424	125,000
FEMA purchases	655	658
Back pack program	--	17,373
Agency handling fees	--	10,460
Nutrition education	--	5,400
Food purchases	--	3,427
Equipment purchases	--	800
Fundraiser expenses	--	271
	<u>985,753</u>	<u>717,686</u>
Total temporarily restricted net assets	<u>\$ 985,753</u>	<u>\$ 717,686</u>

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

	<u>2013</u>	<u>2012</u>
Restrictions accomplished:		
USDA commodities distributions	\$ 2,392,850	\$ 1,900,423
Neighborhood diabetes program	290,802	250,794
Mobile pantry expenses	106,576	29,230
Back pack expenses	91,373	36,194
Food purchases	53,427	95,146
Kid's Cafe program expenses	51,018	31,600
Food storage	35,000	--
Agency purchases	23,060	--
Nutrition education	10,200	--
FEMA food distributions	10,003	10,346
Donation coordinator	4,750	--
Asset purchases	800	56,970
Fundraiser expenses	271	7,729
	<u>3,070,130</u>	<u>2,418,432</u>
Total net assets released from restriction	<u>\$ 3,070,130</u>	<u>\$ 2,418,432</u>

THE FOOD BANK OF CORPUS CHRISTI, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended August 31, 2013 and 2012

NOTE 13 – 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. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. No contributions or distributions were made from the Fund for the years ended August 31, 2013 and 2012.

The Food Bank has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Food Bank classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Food Bank in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Food Bank considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Food Bank and (7) the Food Bank's investment policies.

The Food Bank has adopted investment and spending policies for endowment assets that attempt to subject the fund to charitable and educational purposes of the Food Bank and its programs. The Food Bank may expend the endowment fund's investment income for charitable and educational services as needed. This is consistent with the Food Bank's objectives to collect salvageable food and distribute it to other non-profit agencies (agencies) which feed and distribute food to low-income families and individuals.

THE FOOD BANK OF CORPUS CHRISTI, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended August 31, 2013 and 2012

NOTE 14 – FAIR VALUE MEASUREMENTS

The fair value measurement in accordance with current accounting standards, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). In order to increase the transparency of in financial reporting of fair value measurements, FASB noted that due to different degrees of subjectivity and reliability on fair value measurements between the hierarchy levels, additional information regarding level 3 investments and risks associated with various investments, additional clarification was necessary. In accordance with Accounting Standards Codification 820-10, disclosures for fair value are required to include:

- Transfers between level 1 and level 2 investments
- Activity in level 3 fair value measurements is enhanced
- Disaggregation from major asset category to major asset class

When determining the appropriate level of disaggregation, it is necessary to evaluate the activity of business sector, vintage, geographic concentration, credit quality and economic characteristics.

Level 1 Fair Value Measurements

These are inputs representing unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability at the measurement date.

Level 2 Fair Value Measurements

These are 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 Fair Value Measurements

These are significant unobservable inputs that reflect an entity's own assumptions that market participants would use in pricing the assets or liabilities.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at August 31, 2013 and 2012.

THE FOOD BANK OF CORPUS CHRISTI, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended August 31, 2013 and 2012

NOTE 14 – FAIR VALUE MEASUREMENTS (continued)

The Food Bank’s investments are reported at fair value in the accompanying statement of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Food Bank believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair value measurements and levels within the fair value hierarchy of those measurements for assets and liabilities reported at fair value on a recurring basis at August 31, 2013 and 2012 are as follows:

	<u>Fair Value Measurements at Reporting Date Using</u>			
		Quoted Prices In Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<u>Fair Value</u>			
<u>August 31, 2013</u>				
Certificates of Deposit	\$ 238,801	\$ 238,801	\$ --	\$ --
Mutual funds-equity	1,326,576	1,326,576	--	--
Mutual funds-fixed income	156,684	156,684	--	--
Common Stock	2,643	2,643	--	--
Beneficial interest in assets held by the Coastal Bend Community Foundation	<u>709,172</u>	<u>709,172</u>	<u>--</u>	<u>--</u>
Total	<u>\$ 2,433,876</u>	<u>\$ 2,433,876</u>	<u>\$ --</u>	<u>\$ --</u>
<u>August 31, 2012</u>				
Certificates of Deposit	\$ 1,195,193	\$ 1,195,193	\$ --	\$ --
Mutual funds-equity	377,505	377,505	--	--
Mutual funds-fixed income	152,852	152,852	--	--
Common Stock	2,643	2,643	--	--
Beneficial interest in assets held by the Coastal Bend Community Foundation	<u>660,903</u>	<u>660,903</u>	<u>--</u>	<u>--</u>
Total	<u>\$ 2,389,096</u>	<u>\$ 2,389,096</u>	<u>\$ --</u>	<u>\$ --</u>

To estimate their fair value, the Food Bank uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities (market approach).

THE FOOD BANK OF CORPUS CHRISTI, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended August 31, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant Period	Receipts	Disbursements
<b><u>U.S. Department of Agriculture</u></b>				
Passed Through the				
Texas Health and Human Services Commission				
<b><u>The Emergency Food Assistance - Cluster</u></b>				
Texas Department of Agriculture				
Emergency Food Assistance Program (Food Commodities)	10.569	10/01/12 - 9/30/13	\$ 2,776,383	\$ 2,392,850
Texas Department of Agriculture				
Emergency Food Assistance Program (Administrative Costs)	10.568	10/01/12 - 9/30/13	186,846	186,846
Supplemental Nutrition Assistance Program	10.561	10/01/12 - 9/30/13	42,116	42,116
Passed Through the				
Texas Food Bank Network:				
Food Stamp Outreach	N/A	10/01/12 - 9/30/13	<u>49,678</u>	<u>40,678</u>
<b>Total U.S. Department of Agriculture</b>			<u>3,055,023</u>	<u>2,662,490</u>
<b><u>Federal Emergency Management Agency</u></b>				
Passed Through the				
United Way of America:				
Emergency Food and Shelter Program	97.024	10/01/12 - 9/30/13	<u>\$ 10,000</u>	<u>\$ 10,000</u>
<b>Total Federal Awards</b>			<u>\$ 3,065,023</u>	<u>\$ 2,672,490</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, 2013

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, 2013. 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	\$ 2,672,490
Non-federal expenditures	<u>8,271,635</u>
Total expenses per statement of activities	<u>\$ 10,944,125</u>

The Food Bank considers all USDA and other 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	\$ 3,065,023
Change in USDA/other inventories	<u>(392,533)</u>
Total expenditures of federal awards	<u>\$ 2,672,490</u>



THE FOOD BANK OF CORPUS CHRISTI, INC.  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended August 31, 2013

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, 2013, the Food Bank had \$748,967 of USDA commodities in inventory.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Food Bank of Corpus Christi, Inc. (Food Bank), which comprise the statements of financial position as of August 31, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 17, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Food Bank's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Food Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of the Food Bank's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Food Bank's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*GF Valdez, P.C.*

December 17, 2013

**GF Valdez, P.C.**

A Public Accounting Firm

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY OMB CIRCULAR A-133

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

**Report on Compliance for Each Major Federal Program**

We have audited The Food Bank of Corpus Christi, Inc.'s (Food Bank) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Food Bank's major federal programs for the year ended August 31, 2013. The Food Bank's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Food Bank's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Food Bank's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Food Bank's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013.

**Report on Internal Control Over Compliance**

Management of the Food Bank is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Food Bank's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*GF Valdez, P.C.*

December 17, 2013

THE FOOD BANK OF CORPUS CHRISTI, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended August 31, 2013

A SUMMARY OF AUDIT RESULTS

**Financial Statements**

Type of auditor's report issued: Unqualified

**Internal control over financial reporting:**

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

**Federal Awards**

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

**Internal control over major programs:**

- Material Weakness Identified? No
- Significant Deficiencies identified not considered to be a material weakness? 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 Department of Agriculture Emergency Food Assistance Program (Food Commodities)
10.568	Texas Department of Agriculture 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, INC.  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
For the Year Ended August 31, 2012

A PRIOR YEAR FINDINGS - FINANCIAL STATEMENT AUDIT

None

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

None