

COASTAL BEND FOOD BANK
FINANCIAL STATEMENTS AND
OTHER SUPPLEMENTAL INFORMATION

August 31, 2018 and 2017

COASTAL BEND FOOD BANK

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Coastal Bend Food Bank (Food Bank), which comprise the statements of financial position as of August 31, 2018 and 2017, 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.

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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 Coastal Bend Food Bank as of August 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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 May 15, 2019, on our consideration of Coastal Bend Food Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Coastal Bend Food Bank's internal control over financial reporting and compliance.

GF Valdez, P.C.

May 15, 2019
Corpus Christi, Texas

COASTAL BEND FOOD BANK
STATEMENT OF FINANCIAL POSITION
August 31, 2018

<u>ASSETS</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Current Assets				
Cash and cash equivalents	\$ 32,822	\$ 179,162	\$ -	\$ 211,984
Investments	3,069,283	1,002,366	-	4,071,649
Accounts receivable - government grants and contracts	66,894	-	-	66,894
Accounts receivable - agencies	51,797	-	-	51,797
Donated food inventory, net of salvage	118,519	426,561	-	545,080
Purchased food inventory	21,833	-	-	21,833
Other assets	2,880	-	-	2,880
Total Current Assets	3,364,028	1,608,089	-	4,972,117
Beneficial interest in assets held by				
Coastal Bend Community Foundation	816,380	-	136,000	952,380
Property and equipment, net				
of accumulated depreciation	1,891,586	-	-	1,891,586
Total Assets	\$ 6,071,994	\$ 1,608,089	\$ 136,000	\$ 7,816,083
<u>LIABILITIES AND NET ASSETS</u>				
Liabilities				
Accounts payable	\$ 1,885	\$ -	\$ -	\$ 1,885
Deferred revenue - maintenance fees	35,288	-	-	35,288
Total Liabilities	37,173	-	-	37,173
Net Assets				
Total Liabilities and Net Assets	6,034,821	1,608,089	136,000	7,778,910
Total Liabilities and Net Assets	\$ 6,071,994	\$ 1,608,089	\$ 136,000	\$ 7,816,083

See accompanying notes.

COASTAL BEND FOOD BANK
STATEMENT OF FINANCIAL POSITION
August 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 360,806	\$ 170,165	\$ -	\$ 530,971
Investments	817,806	-	-	817,806
Accounts receivable - government grants and contracts	64,610	-	-	64,610
Accounts receivable - agencies	41,197	-	-	41,197
Donated food inventory, net of salvage	449,085	444,485	-	893,570
Purchased food inventory	23,278	-	-	23,278
Other assets	2,880	-	-	2,880
Total Current Assets	1,759,662	614,650	-	2,374,312
Beneficial interest in assets held by				
Coastal Bend Community Foundation	752,131	-	136,000	888,131
Property and equipment, net				
of accumulated depreciation	1,411,689	-	-	1,411,689
Total Assets	\$ 3,923,482	\$ 614,650	\$ 136,000	\$ 4,674,132
<u>LIABILITIES AND NET ASSETS</u>				
Liabilities				
Accounts payable	\$ 3,892	\$ -	\$ -	\$ 3,892
Deferred revenue - maintenance fees	6,815	-	-	6,815
Total Liabilities	10,707	-	-	10,707
Net Assets	3,912,775	614,650	136,000	4,663,425
Total Liabilities and Net Assets	\$ 3,923,482	\$ 614,650	\$ 136,000	\$ 4,674,132

See accompanying notes.

COASTAL BEND FOOD BANK
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains and other support:				
Grants:				
USDA commodities	\$ -	\$ 2,710,877	\$ -	\$ 2,710,877
USDA nutrition education	162,764	-	-	162,764
USDA administrative cost reimbursement	132,479	-	-	132,479
Neighborhood diabetes program	14,180	92,931	-	107,111
Produce	-	50,000	-	50,000
Mobile pantry income	44,070	-	-	44,070
TFBN Outreach reimbursement	45,689	-	-	45,689
FEMA	-	19,200	-	19,200
Total grants	<u>399,182</u>	<u>2,873,008</u>	<u>-</u>	<u>3,272,190</u>
Value of donated food inventory, net of food scrapped of \$342,034	12,916,791	-	-	12,916,791
Donations and private grants	3,469,125	2,022,724	-	5,491,849
Handling fees	747,892	-	-	747,892
Special events, net of expenses of \$13,975	140,243	-	-	140,243
Dividend and interest income	71,922	-	-	71,922
Change in value of amount held with Coastal Bend Community Foundation	26,193	-	-	26,193
Realized gain on sales of investments	21,968	-	-	21,968
Unrealized gain on investments	7,604	-	-	7,604
Miscellaneous income	969	-	-	969
Net assets released from restrictions	3,902,293	(3,902,293)	-	-
Total revenues, gains and other support	<u>21,704,182</u>	<u>993,439</u>	<u>-</u>	<u>22,697,621</u>
Expenses:				
Program expenses	18,924,947	-	-	18,924,947
Supporting services:				
Administrative	528,080	-	-	528,080
Fundraising	129,109	-	-	129,109
Total expenses	<u>19,582,136</u>	<u>-</u>	<u>-</u>	<u>19,582,136</u>
Increase in Net Assets	2,122,046	993,439	-	3,115,485
Net Assets, August 31, 2017	<u>3,912,775</u>	<u>614,650</u>	<u>136,000</u>	<u>4,663,425</u>
Net Assets, August 31, 2018	<u>\$ 6,034,821</u>	<u>\$ 1,608,089</u>	<u>\$ 136,000</u>	<u>\$ 7,778,910</u>

See accompanying notes.

COASTAL BEND FOOD BANK
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Grants:				
USDA commodities	\$ -	\$ 3,113,874	\$ -	\$ 3,113,874
USDA administrative cost reimbursement	172,556	-	-	172,556
USDA nutrition education reimbursement	154,072	-	-	154,072
Neighborhood diabetes program	-	119,642	-	119,642
Produce	-	50,000	-	50,000
Mobile pantry income	46,680	2,500	-	49,180
TFBN Outreach reimbursement	44,888	-	-	44,888
FEMA	-	17,027	-	17,027
Total grants	418,196	3,303,043	-	3,721,239
Value of donated food inventory, net of food scrapped of \$444,728	10,089,896	-	-	10,089,896
Donations and private grants	1,449,958	247,263	-	1,697,221
Handling fees	574,071	-	-	574,071
Special events, net of expenses of \$26,561	207,524	-	-	207,524
Change in value of amount held with Coastal Bend Community Foundation	72,781	-	-	72,781
Realized gain on sales of investments	57,536	-	-	57,536
Dividend and interest income	27,509	-	-	27,509
Miscellaneous income	13,243	-	-	13,243
Unrealized loss on investments	(8,441)	-	-	(8,441)
Net assets released from restrictions	3,807,266	(3,807,266)	-	-
Total revenues, gains and other support	16,709,539	(256,960)	-	16,452,579
Expenses:				
Program expenses	15,483,137	-	-	15,483,137
Supporting services:				
Administrative	533,731	-	-	533,731
Fundraising	166,625	-	-	166,625
Total expenses	16,183,493	-	-	16,183,493
Increase in Net Assets	526,046	(256,960)	-	269,086
Net Assets, August 31, 2016	3,386,729	871,610	136,000	4,394,339
Net Assets, August 31, 2017	\$ 3,912,775	\$ 614,650	\$ 136,000	\$ 4,663,425

See accompanying notes.

COASTAL BEND FOOD BANK
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2018

	Program Services	Supporting Services			Total Expenses
		Administrative	Fundraising	Total	
Food distributed	\$ 16,826,769	\$ -	\$ -	\$ -	\$ 16,826,769
Salaries and wages	722,557	355,887	-	355,887	1,078,444
Outreach expense	364,975	-	-	-	364,975
Disaster relief funds expense	305,798	-	-	-	305,798
Insurance	158,354	77,994	-	77,994	236,348
Depreciation expense	134,664	19,238	-	19,238	153,902
Fundraising expense	-	-	126,300	126,300	126,300
Utilities	73,434	10,491	-	10,491	83,925
Payroll tax expense	55,977	27,571	-	27,571	83,548
Repairs and maintenance	79,847	-	-	-	79,847
Food purchases	58,021	-	-	-	58,021
Truck and van expense	52,370	-	-	-	52,370
Warehouse expenses	38,183	-	-	-	38,183
Office expense	12,640	12,640	2,809	15,449	28,089
Membership fees	24,331	-	-	-	24,331
Professional fees	-	18,000	-	18,000	18,000
Bank fees	5,223	2,572	-	2,572	7,795
Travel expenses	3,688	3,687	-	3,687	7,375
Summer feeding program	4,330	-	-	-	4,330
Postage	3,440	-	-	-	3,440
Storage	346	-	-	-	346
	<u>\$ 18,924,947</u>	<u>\$ 528,080</u>	<u>\$ 129,109</u>	<u>\$ 657,189</u>	<u>\$ 19,582,136</u>

See accompanying notes.

COASTAL BEND FOOD BANK
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2017

	Program Services	Supporting Services			Total Expenses
		Administrative	Fundraising	Total	
Food distributed	\$ 13,500,532	\$ -	\$ -	\$ -	\$ 13,500,532
Salaries and wages	723,800	356,499	-	356,499	1,080,299
Insurance	172,599	85,012	-	85,012	257,611
Outreach expense	221,131	-	-	-	221,131
Fundraising	-	-	163,976	163,976	163,976
Nutrition education expense	145,427	-	-	-	145,427
Depreciation expense	111,742	15,963	-	15,963	127,705
Mobile pantry expense	104,820	-	-	-	104,820
Repairs and maintenance	92,433	-	-	-	92,433
Payroll tax expense	58,304	28,716	-	28,716	87,020
Utilities	73,055	10,436	-	10,436	83,491
Food purchases	69,991	-	-	-	69,991
Warehouse expenses	65,848	-	-	-	65,848
Truck and van expenses	48,884	-	-	-	48,884
Produce expense	40,108	-	-	-	40,108
Office expense	11,920	11,920	2,649	14,569	26,489
Membership fees	23,795	-	-	-	23,795
Professional fees	-	20,332	-	20,332	20,332
Bank fees	4,776	2,353	-	2,353	7,129
Travel expenses	2,500	2,500	-	2,500	5,000
Summer feeding program	3,319	-	-	-	3,319
Postage	3,316	-	-	-	3,316
Kid's Café	2,716	-	-	-	2,716
Disaster relief funds expense	2,121	-	-	-	2,121
	<u>\$ 15,483,137</u>	<u>\$ 533,731</u>	<u>\$ 166,625</u>	<u>\$ 700,356</u>	<u>\$ 16,183,493</u>

See accompanying notes.

COASTAL BEND FOOD BANK
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Increase in net assets	\$ 3,115,485	\$ 269,086
Adjustments to reconcile net assets to net cash provided by (used in) operating activities		
Depreciation	153,902	127,705
Unrealized loss (gain) on investments	(7,604)	8,441
Realized gain on sales of investments	(21,968)	(57,536)
In-kind contribution of trailer	-	(10,000)
In-kind contribution of food and non-food items	(15,983,900)	(13,653,397)
Distributions of in-kind food and non-food items	16,332,390	13,821,502
(Increase) decrease in beneficial interest held at Coastal Bend Community Foundation	(64,249)	(72,781)
Decrease (increase) in:		
Accounts receivable	(12,884)	(6,225)
Purchased inventory	1,445	46,883
Increase (decrease) in:		
Accounts payable	(2,007)	(55,559)
Accrued expenses	28,473	(7,587)
	<u>3,539,083</u>	<u>410,532</u>
Cash flows from investing activities:		
Purchases of investments	(6,694,034)	(205,848)
Redemption of investments	3,469,763	315,464
Purchases of property and equipment	(633,799)	(62,485)
	<u>(3,858,070)</u>	<u>47,131</u>
Net cash (used in) provided by investing activities		
Cash flows from financing activities:	<u>-</u>	<u>-</u>
Net change in cash	(318,987)	457,663
Cash at beginning of year	<u>530,971</u>	<u>73,308</u>
Cash at end of year	<u>\$ 211,984</u>	<u>\$ 530,971</u>

See accompanying notes.

COASTAL BEND FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2018 and 2017

NOTE 1 – NATURE OF ACTIVITIES

The Coastal Bend Food Bank (The Food Bank) is a Texas non-profit Corporation that began operations on September 1, 1982. The Food Bank's purpose is to collect and warehouse salvageable food, which has been donated by organizations and businesses, and distribute it to other non-profit agencies (agencies) which feed and distribute food to low-income families and individuals. The Food Bank services agencies within an eleven-county area of South Texas. Funding is provided primarily by donated commodities obtained from a nationwide network of sources including supermarket chains, the United States Department of Agriculture and food drives. The value of food and non-perishable items received from supermarket chains was \$6,705,652 and \$6,458,302, (30% and 39% of revenues), for the years ended August 31, 2018 and 2017, respectively.

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

1. Kids Backpack program – The Backpack program provides children with nutritious food to take home for the weekend. Backpacks are filled with nutritious, child-friendly food which is distributed on the day before weekends or holiday vacations.
2. Kids' Café program – The Kids' Café program provides a safe environment for children who do not have access to adult supervision after school. Children receive hot meals or snacks, in addition to homework assistance. Education, physical and social activities are also included as part of the program.
3. Mobile Pantry program – The Mobile Pantry program reaches individuals and families living in rural areas and surrounding counties of South Texas. The goal is to provide and distribute food items, including fresh produce, every month in smaller cities that do not have local help.
4. Nutrition Education program – The Nutrition Education program serves to inspire change in food choices and behavior of children and adults so they can live healthier lives. The Food Bank emphasizes a lifestyle rich in fruits, vegetables, whole grains, lean meats, water and daily exercise, and strives to collaborate with other community partners for the same goal.
5. Teen Table program – The Teen Table program is a part of the Homeless Student Initiative with the Corpus Christi Independent School District Special Programs. The Food Bank orders food specifically for teens. The Teen Table program also provides clothing, school supplies and other necessities.
6. Diabetes Hands-On Self-Management Education Program – The program is an American Diabetes Association Recognized program which is an eight-week course that incorporates hands on learning to provide an overview of diabetes and an introduction to nutrition, monitoring sugar levels, and the daily management of life with diabetes.

COASTAL BEND FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2018 and 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Food Bank prepares its financial statements under the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America. It is required to report information regarding financial position and activities according to the following three classes of 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 Food Bank 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 Food Bank. 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.

Estimates

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

Cash and Cash Equivalents

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

Shared Maintenance Fees

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

Reclassifications

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

COASTAL BEND FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2018 and 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2018 and 2017, management estimates that no reserve for losses on receivables is required.

Investments

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

Property and Equipment

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 \$1.73 and \$1.67 per pound for the years ended August 31, 2018 and 2017, respectively. This valuation is based on cost studies conducted for America's Second Harvest. Purchased food is valued at the latest purchase price. USDA commodities are valued based on published USDA fair market values. USDA commodities and FEMA purchased inventory amounts as of August 31, 2018 and 2017 are restricted to distribution programs serving low-income families and individuals. Therefore, the value of these ending inventories is reflected as a temporarily restricted asset in the statement of financial position. Accordingly, the distribution of these commodities is reflected in the statement of activities as assets released from restriction.

COASTAL BEND FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2018 and 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and Contributed Services

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. The Food Bank receives a significant amount of donated services from unpaid volunteers who assist in the warehouse. However, the value of these services has not been recognized in the statement of activities since they do not meet the criteria for recognition as contributed services. The Food Bank received 27,272 hours of services from 4,720 volunteers for the year ending August 31, 2018. The Food Bank received 33,256 hours of services from 4,916 volunteers for the year ending August 31, 2017.

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 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 Tax Status

The Food Bank is a not-for-profit organization that is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Code as a private foundation. Accordingly, no provision for income taxes had been made in the accompanying statements. The Food Bank's Form 990, Return of Organization Exempt from Income Tax, for the years ending August 31, 2015, 2016, and 2017 are subject to examination by the IRS, generally for three years after they were filed.

COASTAL BEND FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2018 and 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Pronouncements

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU are the first phase of changes aimed at providing more useful information to users of not-for-profit financial statements. Under this ASU, net assets will be presented in two classes: net assets with donor restrictions and net assets without donor restrictions. New or enhanced disclosures will be required about the nature and composition of net assets, and the liquidity and availability of resources for general operating expenditures within one year of the balance sheet date. Expenses will be required to be presented by both nature and function and investment return will be presented net of external and direct internal investment expenses. Absent explicit donor stipulations, restrictions on long-lived assets will expire when assets are placed in service. The ASU is effective for fiscal periods beginning after December 15, 2017, but early adoption is permitted. Adoption of this ASU will impact the presentation and disclosures of the financial statements for the year ending August 31, 2019.

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

In November 2016, the FASB issued ASU 2016-08, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-18 will be effective for the Food Bank beginning on January 1, 2019. ASU 2016-18 must be applied using a retrospective transition method with early adoption permitted. The adoption of ASU 2016-18 is not expected to have a material impact on the financial statements.

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.

COASTAL BEND FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2018 and 2017

NOTE 4 – EVALUATION OF SUBSEQUENT EVENTS

Management of The Food Bank has evaluated subsequent events for disclosure through May 15, 2019, the date the financial statements were available to be issued. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

NOTE 5 – 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, 2018</u>				
Certificates of Deposit	\$2,667,389	\$ --	\$ --	\$ 2,667,389
Mutual Funds – Equity	1,260,370	141,247	--	1,401,617
Common Stock	<u>2,643</u>	<u>--</u>	<u>--</u>	<u>2,643</u>
	<u>\$3,930,402</u>	<u>\$ 141,247</u>	<u>\$ --</u>	<u>\$ 4,071,649</u>
 <u>August 31, 2017</u>				
Certificates of Deposit	\$ 2,254	\$ --	\$ --	\$ 2,254
Mutual Funds – Equity	679,267	133,642	--	812,909
Common Stock	<u>2,643</u>	<u>--</u>	<u>--</u>	<u>2,643</u>
	<u>\$ 684,164</u>	<u>\$ 133,642</u>	<u>\$ --</u>	<u>\$ 817,806</u>

Net interest and dividend income for the years ending August 31, 2018 and 2017 were \$71,922 and \$27,509, respectively. Net unrealized gains of \$7,604 and unrealized losses of 8,441 were recorded on the books of the Food Bank for the years ended August 31, 2018 and 2017, respectively. Net realized gains of \$21,968 and \$57,536 for the years ended August 31, 2018 and 2017, respectively. Total investment return was \$101,494 and \$76,604 for the years ended August 31, 2018 and 2017, respectively.

COASTAL BEND FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2018 and 2017

NOTE 6 – INVENTORY

The majority of food distributed by The Food Bank is received by contributions from the general public and from the U. S. Department of Agriculture (USDA). The estimated value of these contributions is recognized in the financial statements as contribution revenue and food and other supplies or program expenses if distributed during the year. The pounds collected are recorded by The Food Bank staff at the time of receipt based on actual weight. The total value of contributed food for the years ended August 31, 2018 and 2017 is as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Pounds</u>	<u>Dollars</u>	<u>Pounds</u>	<u>Dollars</u>
Donated inventory:				
Donated inventory	68,508	\$ 118,520	265,828	\$ 443,933
USDA commodities	246,567	426,561	266,159	444,485
Produce inventory	<u> --</u>	<u> --</u>	<u>51,518</u>	<u>5,152</u>
	<u>315,075</u>	<u>\$ 545,081</u>	<u>583,505</u>	<u>\$ 893,570</u>
 Purchased food inventory:				
Purchased inventory	<u>15,018</u>	<u>\$ 21,832</u>	<u>16,418</u>	<u>\$ 23,278</u>

NOTE 7 – PROPERTY AND EQUIPMENT

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

	<u>2018</u>	<u>2017</u>
Building and improvements	\$ 1,372,903	\$ 1,229,766
Vehicles	961,262	640,875
Warehouse and freezer	605,632	554,251
Furniture and equipment	439,239	352,007
Construction in progress - building	9,000	9,000
Land	<u>461,422</u>	<u>461,422</u>
	3,849,458	3,247,321
Less: Accumulated depreciation	<u>(1,957,872)</u>	<u>(1,835,632)</u>
Property and equipment, net	<u>\$ 1,891,586</u>	<u>\$ 1,411,689</u>

Depreciation expense for the years ended August 31, 2018 and 2017 totaled \$153,902 and \$127,705, respectively.

COASTAL BEND FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2018 and 2017

NOTE 8 – 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, 2018 and 2017, these commodities comprised approximately 25% 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 17% and 32% of the assistance necessary to fund the administrative operations of The Food Bank for the years ending August 31, 2018 and 2017, respectively.

NOTE 9 – RETIREMENT PLAN

The Food Bank adopted a retirement plan (Plan) effective March 28, 2008 for all employees of the organization. Benefits depend solely on amounts contributed to the Plan plus investment earnings. Under the terms of the Plan, The Food Bank matches employee contributions to the Plan, up to 5% of the employee's salary. All employees who earn at least \$5,000 in compensation and are employed by The Food Bank for more than six months are eligible to participate. Employees are 100% vested as of the enrollment date. Total contributions by The Food Bank to the Plan were \$26,959 and \$25,148 for the years ending August 31, 2018 and 2017, respectively.

NOTE 10 – OPERATING LEASES

The Food Bank has non-cancelable operating leases, primarily for use of copier and postage equipment. Those leases generally contain renewal options for various periods and require The Food Bank to pay costs such as taxes, maintenance, and insurance. Total lease expense for 2018 and 2017 was approximately \$5,580. Future estimated minimum lease payments under operating leases that have remaining terms in excess of one year as of August 31, 2018, are:

<u>Year</u>	<u>Amount</u>
2019	\$ 5,580
2020	5,580
2021	<u>4,563</u>
Total	<u>\$ 15,723</u>

COASTAL BEND FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2018 and 2017

NOTE 11 – RESTRICTED NET ASSETS

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

	<u>2018</u>	<u>2017</u>
Commodities for distribution:		
USDA commodities	\$ 426,561	\$ 444,485
FEMA purchased inventory	--	--
	<u>426,561</u>	<u>444,485</u>
Disaster relief	1,002,366	22,198
Kid's Backpack program	54,014	--
Teen Table program	42,696	42,696
Kid's Café program	39,851	51,059
Agencies	29,400	29,400
Operation training	12,694	12,694
FEMA cash	<u>507</u>	<u>12,118</u>
Total temporarily restricted net assets	<u>\$ 1,608,089</u>	<u>\$ 614,650</u>

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

	<u>2018</u>	<u>2017</u>
Restrictions accomplished:		
USDA commodities distributions	\$ 2,728,801	\$ 3,452,909
Disaster relief	894,140	2,121
Neighborhood diabetes program	92,931	149,805
Asset purchases	78,416	40,000
Food, freight and storage	65,000	89,996
FEMA commodities	30,811	4,909
Kid's Café program expenses	11,208	2,716
Backpack programs	986	53,690
Teen Table program	--	4,714
Operation training	--	3,306
Mobile pantry expenses	--	2,500
Agencies	<u>--</u>	<u>600</u>
Total net assets released from restriction	<u>\$ 3,902,293</u>	<u>\$ 3,807,266</u>

COASTAL BEND FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2018 and 2017

NOTE 12 – BENEFICIAL INTERESTS IN ASSETS HELD BY THE COASTAL BEND
BEND COMMUNITY FOUNDATION

The Food Bank entered into an Agency Endowment Agreement (Agreement) with the Coastal Bend Community Foundation (the Foundation) to establish an Endowment Fund (Fund) effective October 26, 1999. Under this agreement, the Fund shall be used solely for the charitable and educational purpose of The Food Bank and its programs. Net income of the Fund shall be distributed only at The Food Bank's request to The Food Bank or its designee. Distributions in excess of the net income of the Fund shall be made only to The Food Bank or its designee in any year as recommended in writing by a majority of The Food Bank's trustees and approval by the Foundation. The entire balance may be withdrawn over a three-month period. However, \$136,000 of the Fund is permanently restricted and is to be held by The Food Bank indefinitely. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. No contributions or distributions were made from the Fund for the years ended August 31, 2018 and 2017.

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.

COASTAL BEND FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2018 and 2017

NOTE 13 – FAIR VALUE MEASUREMENTS

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

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

The fair value measurements and levels within the fair value hierarchy of those measurements for assets and liabilities reported at fair value on a recurring basis at August 31, 2018 and 2017 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, 2018</u>				
Certificates of Deposit	\$ 2,667,389	\$ 2,667,389	\$ --	\$ --
Mutual funds-equity	1,401,617	1,401,617	--	--
Common Stock	2,643	2,643	--	--
Beneficial interest in assets held by the Coastal Bend Community Foundation	<u>952,380</u>	<u>952,380</u>	<u>--</u>	<u>--</u>
Total	<u>\$ 5,024,029</u>	<u>\$ 5,024,029</u>	<u>\$ --</u>	<u>\$ --</u>
<u>August 31, 2017</u>				
Certificates of Deposit	\$ 2,254	\$ 2,254	\$ --	\$ --
Mutual funds-equity	812,909	812,909	--	--
Common Stock	2,643	2,643	--	--
Beneficial interest in assets held by the Coastal Bend Community Foundation	<u>888,131</u>	<u>888,131</u>	<u>--</u>	<u>--</u>
Total	<u>\$ 1,705,937</u>	<u>\$ 1,705,937</u>	<u>\$ --</u>	<u>\$ --</u>

COASTAL BEND FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2018 and 2017

NOTE 13 – FAIR VALUE MEASUREMENTS (continued)

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

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

Furthermore, while The Food Bank believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date. The Food Bank recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the years ended August 31, 2018 and 2017.

COASTAL BEND FOOD BANK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2018

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant Period	Contract Number	Receipts	Total Federal Expenditures
<u>U.S. Department of Agriculture</u>					
Passed Through the					
Texas Health and Human Services Commission					
<u>The Food Distribution - Cluster</u>					
Texas Department of Agriculture					
Emergency Food Assistance Program (Food Commodities)	10.569	10/01/17 - 9/30/18	1787038K	\$ 2,710,877	\$ 2,728,801
Texas Department of Agriculture Emergency Food Assistance Program (Administrative Costs)	10.568	10/01/17 - 9/30/18	1787038K	132,479	132,479
Supplemental Nutrition Assistance Program	10.561	10/01/17 - 9/30/18	529-10-0011-00003E	162,764	162,764
Passed Through the					
Texas Food Bank Network:					
Food Stamp Outreach	N/A	10/01/17 - 9/30/18	529-16-0002-00002	<u>45,689</u>	<u>45,689</u>
Total U.S. Department of Agriculture				<u>3,051,809</u>	<u>3,069,733</u>
 <u>U.S. Department of Homeland Security</u>					
Passed Through the					
United Way of America:					
Emergency Food and Shelter Program	97.024	10/01/17 - 9/30/18	LRO 828400-004	<u>19,200</u>	<u>14,197</u>
Total U.S. Department of Homeland Security				<u>19,200</u>	<u>14,197</u>
 Total Federal Awards				<u>\$ 3,071,009</u>	<u>\$ 3,083,930</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

COASTAL BEND FOOD BANK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Coastal Bend Food Bank (The Food Bank) under programs of the Federal government for the year ended August 31, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of The Food Bank, it is not intended to and does not present the financial position, changes in net assets, or cash flows of The Food Bank. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 – INDIRECT COST RATE

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

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, 2018, The Food Bank had \$426,561 of USDA commodities in inventory.

COASTAL BEND FOOD BANK
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended August 31, 2018

NOTE 5 – RECONCILIATION OF FEDERAL AWARDS TO THE FINANCIAL STATEMENTS

Total expenditures of federal awards	\$ 3,083,930
Non-federal expenditures	<u>16,498,206</u>
 Total expenses per statement of activities	 <u>\$ 19,582,136</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	\$ 3,071,009
Change in USDA inventories	17,924
Change in other inventories	<u>(5,003)</u>
 Total expenditures of federal awards	 <u>\$ 3,083,930</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Coastal Bend Food Bank (The Food Bank), which comprise the statements of financial position as of August 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 15, 2019.

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.

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Compliance and Other Matters

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

Purpose of this Report

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

GF Valdez, P.C.

May 15, 2019

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

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

Report on Compliance for Each Major Federal Program

We have audited Coastal Bend Food Bank's (The Food Bank) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Food Bank's major federal programs for the year ended August 31, 2018. The Food Bank's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The Food Bank's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Food Bank's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The Food Bank's compliance.

Opinion on Each Major Federal Program

In our opinion, The Food Bank'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, 2018.

Report on Internal Control Over Compliance

Management of The Food Bank is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Food Bank's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Food Bank's internal control over compliance.

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

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

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

GF Valdez, P.C.

May 15, 2019

COASTAL BEND FOOD BANK
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended August 31, 2018

A	SUMMARY OF AUDIT RESULTS	
	<u>Financial Statements</u>	
	Type of auditor's report issued:	Unmodified
	<u>Internal control over financial reporting:</u>	
	• Material Weakness Identified?	No
	• Significant Deficiencies identified not considered to be a material weakness?	No
	• Noncompliance material to the financial statements?	No
	<u>Federal Awards</u>	
	Type of auditor's report issued on compliance for major programs:	Unmodified
	<u>Internal control over major programs:</u>	
	• Material Weakness Identified?	No
	• Significant Deficiencies identified not considered to be a material weakness?	No
	• Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 501(a)?	No
	Identificaiton of major programs:	
	<u>CFDA #</u>	<u>Federal Program Title</u>
	10.569	The 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:	\$ 750,000
	Auditee qualified as low-risk auditee?	Yes
B	FINDINGS RELATED TO FEDERAL AWARDS	
	None	

COASTAL BEND FOOD BANK
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2018

A PRIOR YEAR FINDINGS - FINANCIAL STATEMENT AUDIT

None

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

None