

COASTAL BEND FOOD BANK
FINANCIAL STATEMENTS AND
OTHER SUPPLEMENTAL INFORMATION

August 31, 2019 and 2018

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 (the Food Bank), which comprise the statements of financial position as of August 31, 2019 and 2018, 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.

A Public Accounting Firm

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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, 2019 and 2018, 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 January 31, 2020, 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.

January 31, 2020
Corpus Christi, Texas

COASTAL BEND FOOD BANK
STATEMENT OF FINANCIAL POSITION
August 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents	\$ 49,764	\$ 330,544	\$ 380,308
Investments	3,066,821	1,006,705	4,073,526
Accounts receivable - government grants and contracts	72,350	-	72,350
Accounts receivable - agencies	52,221	-	52,221
Donated food inventory, net of food waste	300,149	824,409	1,124,558
Purchased food inventory	30,931	-	30,931
Other assets	50	-	50
Total Current Assets	3,572,286	2,161,658	5,733,944
Beneficial interest in assets held by Coastal Bend Community Foundation	829,941	136,000	965,941
Property and equipment, net of accumulated depreciation	1,938,981	-	1,938,981
Total Assets	\$ 6,341,208	\$ 2,297,658	\$ 8,638,866
<u>LIABILITIES AND NET ASSETS</u>			
Liabilities			
Accounts payable	\$ 5,394	\$ -	\$ 5,394
Deferred revenue - maintenance fees	43,096	-	43,096
Total Current Liabilities	48,490	-	48,490
Net Assets	6,292,718	2,297,658	8,590,376
Total Liabilities and Net Assets	\$ 6,341,208	\$ 2,297,658	\$ 8,638,866

See accompanying notes.

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

	Without Donor Restrictions	With Donor Restrictions	Total
<u>ASSETS</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 food waste	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	\$ 1,744,089	\$ 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 Current Liabilities	37,173	-	37,173
Net Assets	6,034,821	1,744,089	7,778,910
Total Liabilities and Net Assets	\$ 6,071,994	\$ 1,744,089	\$ 7,816,083

See accompanying notes.

COASTAL BEND FOOD BANK
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Grants:			
USDA commodities	\$ -	\$ 5,533,338	\$ 5,533,338
USDA administrative cost reimbursement	191,905	-	191,905
USDA nutrition education	169,086	-	169,086
Neighborhood diabetes program	116,567	37,500	154,067
TFBN Outreach reimbursement	50,996	-	50,996
Produce	-	50,000	50,000
Mobile pantry income	24,522	-	24,522
FEMA	-	12,500	12,500
Total grants	<u>553,076</u>	<u>5,633,338</u>	<u>6,186,414</u>
Value of donated food inventory, net of food scrapped of \$351,946	11,147,151	-	11,147,151
Donations and private grants	888,879	1,007,801	1,896,680
Handling fees	551,475	-	551,475
Special events, net of expenses of \$47,516	175,169	-	175,169
Dividend and interest income	109,347	-	109,347
Unrealized gain on investments	24,258	-	24,258
Miscellaneous income	21,572	-	21,572
Realized gain on sales of investments	3,481	-	3,481
Change in value of amount held with Coastal Bend Community Foundation	(7,086)	-	(7,086)
Net assets released from restrictions	<u>6,087,570</u>	<u>(6,087,570)</u>	<u>-</u>
Total revenues, gains and other support	<u>19,554,892</u>	<u>553,569</u>	<u>20,108,461</u>
Expenses:			
Program expenses	18,615,445	-	18,615,445
Supporting services:			
Administrative	529,394	-	529,394
Fundraising	150,045	-	150,045
Total expenses	<u>19,294,884</u>	<u>-</u>	<u>19,294,884</u>
Other Income (Expense):			
Loss on disposal of property and equipment	(2,111)	-	(2,111)
Increase in Net Assets	<u>257,897</u>	<u>553,569</u>	<u>811,466</u>
Net Assets, August 31, 2018	<u>6,034,821</u>	<u>1,744,089</u>	<u>7,778,910</u>
Net Assets, August 31, 2019	<u>\$ 6,292,718</u>	<u>\$ 2,297,658</u>	<u>\$ 8,590,376</u>

See accompanying notes.

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

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Grants:			
USDA commodities	\$ -	\$ 2,710,877	\$ 2,710,877
USDA nutrition education reimbursement	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
TFBN Outreach reimbursement	45,689	-	45,689
Mobile pantry income	44,070	-	44,070
FEMA	-	19,200	19,200
Total grants	<u>399,182</u>	<u>2,873,008</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>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>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>750,650</u>	<u>4,663,425</u>
Net Assets, August 31, 2018	<u>\$ 6,034,821</u>	<u>\$ 1,744,089</u>	<u>\$ 7,778,910</u>

See accompanying notes

COASTAL BEND FOOD BANK
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2019

	Program Services	Supporting Services			Total Expenses
		Administrative	Fundraising	Total	
Food distributed	\$ 16,206,012	\$ -	\$ -	\$ -	\$ 16,206,012
Salaries and wages	702,114	345,817	-	345,817	1,047,931
Disaster relief funds expense	385,105	-	-	-	385,105
Insurance	170,813	83,188	-	83,188	254,001
Outreach expense	227,366	-	-	-	227,366
Depreciation expense	168,492	22,947	-	22,947	191,439
Nutrition education	159,416	-	-	-	159,416
Fundraising expense	-	-	146,645	146,645	146,645
Mobile pantry expenses	128,679	-	-	-	128,679
Food purchases	106,064	-	-	-	106,064
Payroll tax expense	58,313	28,722	-	28,722	87,035
Repairs and maintenance	79,916	-	-	-	79,916
Utilities	67,596	9,656	-	9,656	77,252
Truck and van expense	59,493	-	-	-	59,493
Office expense	15,298	15,298	3,400	18,698	33,996
Membership fees	28,776	-	-	-	28,776
Warehouse expenses	20,370	-	-	-	20,370
Summer feeding program	15,752	-	-	-	15,752
Professional fees	-	15,583	-	15,583	15,583
Travel expenses	6,215	6,215	-	6,215	12,430
Bank fees	3,995	1,968	-	1,968	5,963
Postage	2,974	-	-	-	2,974
Storage	2,447	-	-	-	2,447
Miscellaneous	239	-	-	-	239
	<u>\$ 18,615,445</u>	<u>\$ 529,394</u>	<u>\$ 150,045</u>	<u>\$ 679,439</u>	<u>\$ 19,294,884</u>

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	-	-	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 expenses	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
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Increase in net assets	\$ 811,466	\$ 3,115,485
Adjustments to reconcile net assets to net cash provided by operating activities		
Depreciation	191,439	153,902
Unrealized gain on investments	(24,258)	(7,604)
Realized gains on sales of investments	(3,481)	(21,968)
Loss on disposal of property and equipment	2,111	-
In-kind contribution of food and non-food items	(17,054,470)	(15,983,900)
Distributions of in-kind food and non-food items	16,474,992	16,332,390
(Increase) decrease in beneficial interest held at Coastal Bend Community Foundation	(13,561)	(64,249)
Decrease (increase) in:		
Accounts receivable	(5,880)	(12,884)
Purchased inventory	(9,098)	1,445
Other assets	2,830	-
Increase (decrease) in:		
Accounts payable	3,509	(2,007)
Accrued expenses	7,808	28,473
	383,407	3,539,083
Cash flows from investing activities:		
Purchases of investments	(1,779,405)	(6,694,034)
Redemption of investments	1,805,267	3,469,763
Purchases of property and equipment	(240,945)	(633,799)
	(215,083)	(3,858,070)
Cash flows from financing activities:	-	-
Net change in cash	168,324	(318,987)
Cash at beginning of year	211,984	530,971
Cash at end of year	\$ 380,308	\$ 211,984

See accompanying notes.

COASTAL BEND FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2019 and 2018

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 \$5,383,916 and \$6,705,652, (27% and 30% of revenues), for the years ended August 31, 2019 and 2018, respectively.

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

1. Kids Backpack Program – The Backpack Program provides a bag of nutritious food each Friday during the school year, for children identified as food insecure, in order to have food during the weekends and holidays. It is the Food Bank's goal to end childhood hunger in the Coastal Bend.
2. Mobile Pantry Program – The Mobile Pantry department consists of two drivers who deliver and help distribute food to rural communities where residents have little to no access to pantries. Distributions occur 25 times a month in 8/11 counties throughout the Coastal Bend.
3. Non-Agency Drops program – The Non-Agency Drops Program is designed to deliver fresh produce to food insecure families who would not have access to such products otherwise.
4. Nutrition Education Program – Our team of nutrition educators and registered dietitians inspire change in food choices and behaviors of children and adults so they can live healthier lives. We emphasize a lifestyle rich in whole foods such as vegetables, fruits, whole grains and lean meats and teach how eating healthy does not have to be expensive.
5. Social Services Program – We assist clients to complete applications for SNAP, Long Term Care for Seniors, CHIPS, Medicaid, TANF, and Medicare Savings Programs in local and rural counties so families can get the help they need.

COASTAL BEND FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2019 and 2018

NOTE I – NATURE OF ACTIVITIES (Continued)

6. Diabetes Education Program – Diabetes staff work directly with people who have diabetes or may have pre-diabetes by teaching better eating habits and ways to control sugar levels. Classes are well attended and consist of day and night classes.
- Diabetes Hands On – An 8-week American Diabetes self-management program empowering people with diabetes and pre-diabetes to take control of their health. Both morning and evening classes are offered.
 - Diabetes Pantry Program – Offered to people with diabetes who are also living with food insecurity. Healthy shelf stable items, lean protein and dairy, fresh produce along with diabetes education classes are provided.

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.

The Food Bank is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expensed for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Food Bank's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Food Bank or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

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.

COASTAL BEND FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2019 and 2018, 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.

COASTAL BEND FOOD BANK
 NOTES TO THE FINANCIAL STATEMENTS
 For the Years Ended August 31, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 \$1.57 and \$1.73 per pound for the years ended August 31, 2019 and 2018, 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, 2019 and 2018 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 and Contributed Services

Contributions received are recorded as income support without donor restrictions or as income support with donor restrictions 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 27,768 hours of services from 6,048 volunteers for the year ending August 31, 2019. The Food Bank received 27,272 hours of services from 4,720 volunteers for the year ending August 31, 2018.

Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Grants	Time and effort
Salaries and benefits	Time and effort
Repairs and maintenance	Time and effort
Education and training	Time and effort
Occupancy	Time and effort
Professional services	Full-time equivalent
Travel	Time and effort
Depreciation	Square footage
Other	Time and effort

COASTAL BEND FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 net assets without donor restrictions 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. The Food Bank reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Advertising Costs

Advertising is used to promote the Food Bank and is expensed in the period incurred. No amounts were donated for the years ended August 31, 2019 and 2018.

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, 2016, 2017, and 2018 are subject to examination by the IRS, generally for three years after they were filed.

Recent Pronouncements

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 2016-18, *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. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within financial year. 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.

COASTAL BEND FOOD BANK
 NOTES TO THE FINANCIAL STATEMENTS
 For the Years Ended August 31, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Standard Adopted

In 2018, the Food Bank adopted FASB ASU No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Food Bank has adjusted the presentation of these financial statements accordingly. ASU No 2016-14 has been applied retrospectively to all periods presented.

The new standard changes the following aspects of the Food Bank’s financial statements:

- The unrestricted net asset class has been renamed Net Assets Without Donor Restrictions
- The financial statements include a disclosure about availability and liquidity of resources (Note 5);

As a result of the adoption of ASU No. 2016-04, the net assets of the Food Bank as of September 1, 2018 were reclassified as follows:

	After Adoption of ASU No. 2016-14	As Originally Presented
Net assets without donor restrictions	\$ 6,034,821	\$ --
Net assets, unrestricted	\$ --	\$ 6,034,821

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.

NOTE 4 – EVALUATION OF SUBSEQUENT EVENTS

Management of the Food Bank has evaluated subsequent events for disclosure through January 31, 2020, 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.

COASTAL BEND FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2019 and 2018

NOTE 5 – AVAILABILITY AND LIQUIDITY

The following represents the Food Bank’s financial assets available for general expenditures within one year at August 31, 2019 and 2018. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	2019	2018
Financial assets at year-end:		
Cash and cash equivalents	\$ 380,308	\$ 211,984
Investments	4,073,526	4,071,649
Accounts receivable	124,571	118,691
Total financial assets	4,578,405	4,402,324
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(2,297,658)	(1,744,089)
Less net assets with purpose restrictions to be met in less than a year	--	--
Financial assets available to meet general expenditures over the next twelve months	\$ 2,280,747	\$ 2,658,235

As part of the Food Bank’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 6 – INVESTMENTS

Investments consisted of the following as of August 31:

	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<u>August 31, 2019</u>				
Certificates of Deposit	\$ 966,503	\$ --	\$ --	\$ 966,503
Mutual Funds	2,938,875	165,505	--	3,104,380
Common Stock	2,643	--	--	2,643
	\$3,908,021	\$ 165,505	\$ --	\$ 4,073,526
<u>August 31, 2018</u>				
Certificates of Deposit	\$2,667,389	\$ --	\$ --	\$ 2,667,389
Mutual Funds	1,260,370	141,247	--	1,401,617
Common Stock	2,643	--	--	2,643
	\$3,930,402	\$ 141,247	\$ --	\$ 4,071,649

COASTAL BEND FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2019 and 2018

NOTE 6 – INVESTMENTS (continued)

Net interest and dividend income for the years ending August 31, 2019 and 2018 were \$109,347 and \$71,922, respectively. Net unrealized gains of \$24,258 and unrealized gains of \$7,604 were recorded on the books of the Food Bank for the years ended August 31, 2019 and 2018, respectively. Net realized gains of \$3,481 and \$21,968 for the years ended August 31, 2019 and 2018, respectively. Total investment return was \$136,986 and \$101,494 for the years ended August 31, 2019 and 2018, respectively.

NOTE 7 – 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, 2019 and 2018 is as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Pounds</u>	<u>Dollars</u>	<u>Pounds</u>	<u>Dollars</u>
Donated inventory:				
Donated inventory	191,177	\$ 300,148	68,508	\$ 118,520
USDA commodities	525,102	824,410	246,567	426,561
Produce inventory	--	--	--	--
	<u>716,279</u>	<u>\$1,124,558</u>	<u>315,075</u>	<u>\$ 545,081</u>
Purchased food inventory:				
Purchased inventory	<u>50,499</u>	<u>\$ 30,931</u>	<u>15,018</u>	<u>\$ 21,832</u>

COASTAL BEND FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2019 and 2018

NOTE 8 – PROPERTY AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>
Building and improvements	\$ 1,247,472	\$ 1,372,903
Vehicles	1,088,800	961,262
Warehouse and freezer	605,632	605,632
Furniture and equipment	393,989	439,239
Construction in progress - building	9,000	9,000
Land	<u>461,422</u>	<u>461,422</u>
	3,806,315	3,849,458
Less: Accumulated depreciation	<u>(1,867,334)</u>	<u>(1,957,872)</u>
Property and equipment, net	<u>\$ 1,938,981</u>	<u>\$ 1,891,586</u>

Depreciation expense for the years ended August 31, 2019 and 2018 totaled \$191,439 and \$153,902, respectively.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31 were available for the following purposes:

<u>Specific Purpose</u>	<u>2019</u>	<u>2018</u>
USDA commodities for distribution	\$ 824,409	\$ 426,561
Disaster relief	1,006,705	1,002,366
Kid's Backpack program	135,533	54,014
Agencies	116,200	29,400
Asset purchases	41,241	--
Kid's Table program	24,876	42,696
Operation training	12,694	12,694
FEMA cash	--	507
Kid's Café program	<u>--</u>	<u>39,851</u>
Total net assets with donor restrictions	<u>\$ 2,161,658</u>	<u>\$ 1,608,089</u>

COASTAL BEND FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2019 and 2018

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS (continued)

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

<u>Specific Purpose</u>	<u>2019</u>	<u>2018</u>
USDA commodities distributions	\$ 5,135,490	\$ 2,728,801
Disaster relief	497,766	894,140
Agencies	163,200	--
Asset purchases	128,284	78,416
Food, freight and storage	70,000	65,000
Neighborhood diabetes program	37,500	92,931
Kid's Table program	17,820	--
Backpack programs	13,332	986
FEMA commodities	13,007	30,811
Kid's Café program expenses	11,171	11,208
Total net assets released from restriction	<u>\$ 6,087,570</u>	<u>\$ 3,902,293</u>

NOTE 10 – 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, 2019 and 2018, these commodities comprised approximately 36% and 25%, 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 32% and 17% of the assistance necessary to fund the administrative operations of the Food Bank for the years ending August 31, 2019 and 2018, respectively.

NOTE 11 – 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 2019 and 2018 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, 2019, are:

<u>Year</u>	<u>Amount</u>
2020	\$ 5,580
2021	<u>4,563</u>
Total	<u>\$ 10,143</u>

COASTAL BEND FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2019 and 2018

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, 2019 and 2018.

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 this as donor restricted (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. 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, 2019 and 2018

NOTE 13 – 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 \$21,376 and \$26,959 for the years ending August 31, 2019 and 2018, respectively.

NOTE 14 – 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, 2019 and 2018 are as follows:

COASTAL BEND FOOD BANK
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended August 31, 2019 and 2018

NOTE 14 – FAIR VALUE MEASUREMENTS (continued)

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>August 31, 2019</u>				
Certificates of Deposit	\$ 966,503	\$ 966,503	\$ --	\$ --
Mutual funds	3,104,380	3,104,380	--	--
Common Stock	2,643	2,643	--	--
Beneficial interest in assets held by the Coastal Bend Community Foundation	<u>965,941</u>	<u>965,941</u>	<u>--</u>	<u>--</u>
Total	<u>\$ 5,039,467</u>	<u>\$ 5,039,467</u>	<u>\$ --</u>	<u>\$ --</u>
<u>August 31, 2018</u>				
Certificates of Deposit	\$ 2,667,389	\$ 2,667,389	\$ --	\$ --
Mutual funds	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>

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, 2019 and 2018.

COASTAL BEND FOOD BANK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2019

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					
The Food Distribution - Cluster					
Texas Department of Agriculture					
Emergency Food Assistance Program (Food Commodities)	10.569	10/01/18 - 9/30/19	1787038K	\$ 5,533,338	\$ 5,096,038
Texas Department of Agriculture Emergency Food Assistance Program (Administrative Costs)	10.568	10/01/18 - 9/30/19	1787038K	191,905	191,905
Supplemental Nutrition Assistance Program	10.561	10/01/18 - 9/30/19	529-10-0011-00003E	169,086	169,086
Passed Through the					
Texas Food Bank Network:					
Food Stamp Outreach	N/A	10/01/18 - 9/30/19	529-16-0002-00002	50,996	50,996
Total U.S. Department of Agriculture				<u>5,945,325</u>	<u>5,508,025</u>
 <u>U.S. Department of Homeland Security</u>					
Passed Through the					
United Way of America:					
Emergency Food and Shelter Program	97.024	10/01/18 - 9/30/19	LRO 828400-004	12,500	22,035
Total U.S. Department of Homeland Security				<u>12,500</u>	<u>22,035</u>
Total Federal Awards				<u>\$ 5,957,825</u>	<u>\$ 5,530,060</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, 2019

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, 2019. 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% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 – FOOD DONATION

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. As of August 31, 2019, the Food Bank had \$824,410 of USDA commodities in inventory.

COASTAL BEND FOOD BANK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2019

NOTE 5 – RECONCILIATION OF FEDERAL AWARDS TO THE FINANCIAL STATEMENTS

Total expenditures of federal awards	\$ 5,530,060
Non-federal expenditures	<u>13,764,824</u>
Total expenses per statement of activities	<u>\$ 19,294,884</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	\$ 5,957,825
Change in USDA inventories	(397,849)
Change in other inventories	<u>(29,916)</u>
Total expenditures of federal awards	<u>\$ 5,530,060</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, 2019, 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 January 31, 2020.

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.

January 31, 2020
Corpus Christi, Texas

GF Valdez, P.C.

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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, 2019. 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 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, 2019.

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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.

January 31, 2020
Corpus Christi, Texas

COASTAL BEND FOOD BANK
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended August 31, 2019

A SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

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: Unmodified

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 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, 2019

A PRIOR YEAR FINDINGS - FINANCIAL STATEMENT AUDIT

None

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

None