

**COASTAL BEND FOOD BANK**  
**FINANCIAL STATEMENTS AND**  
**OTHER SUPPLEMENTAL INFORMATION**

**August 31, 2021 and 2020**

# 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, 2021 and 2020, 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, 2021 and 2020, 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 as required by the Uniform Guidance 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 schedule of expenditures of federal awards 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 March 16, 2022, 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.*

March 16, 2022  
Corpus Christi, Texas

COASTAL BEND FOOD BANK  
STATEMENTS OF FINANCIAL POSITION  
August 31, 2021 and 2020

	2021	2020
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 561,326	\$ 666,563
Investments	17,936,960	7,350,334
Accounts receivable - government grants and contracts	425,699	273,127
Accounts receivable - agencies	23,864	29,920
Donated food inventory, net of food waste	1,633,366	1,373,925
Purchased food inventory	787,817	74,832
Pledges receivable for capital campaign - current	1,200,000	-
Other assets	50	50
Total Current Assets	22,569,082	9,768,751
Pledges receivable for capital campaign, net of current portion	1,297,543	-
Beneficial interest in assets held by		
Coastal Bend Community Foundation	1,226,620	957,682
Property and equipment, net of accumulated depreciation	2,958,326	1,818,776
Total Assets	\$ 28,051,571	\$ 12,545,209
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Current Liabilities		
Accounts payable	50,042	103,865
Deferred revenue	28,977	42,084
Current portion - Paycheck Protection Program (PPP) note	-	227,535
Total Current Liabilities	79,019	373,484
Notes payable, net of current portion	-	141,865
Total Liabilities	79,019	515,349
Net Assets		
Without donor restrictions	19,964,242	7,356,882
With donor restrictions	8,008,310	4,672,978
Total net assets	27,972,552	12,029,860
Total Liabilities and Net Assets	\$ 28,051,571	\$ 12,545,209

See accompanying notes.

COASTAL BEND FOOD BANK  
STATEMENT OF ACTIVITIES  
For the Year Ended August 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, gains and other support:</b>			
<b>Grants - Federal and State:</b>			
USDA commodities	\$ -	\$ 11,449,535	\$ 11,449,535
Emergency management assistance	627,564	-	627,564
USDA administrative cost reimbursement	522,482	-	522,482
Neighborhood diabetes program	-	383,360	383,360
USDA nutrition education	174,781	-	174,781
Mobile pantry income	83,300	-	83,300
TFBN Outreach reimbursement	75,239	-	75,239
Produce	-	50,000	50,000
Total Federal and State grants	<u>1,483,366</u>	<u>11,882,895</u>	<u>13,366,261</u>
Donations and private grants	9,786,884	2,162,745	11,949,629
Value of donated food inventory, net of food scrapped of \$614,948	9,401,366	-	9,401,366
Pledge income	-	3,597,543	3,597,543
Emergency management assistance commodities	-	1,138,164	1,138,164
Unrealized gain on investments	799,392	-	799,392
Handling fees	693,671	-	693,671
Dividend and interest income	466,933	-	466,933
Special events, net of expenses of \$2,543	384,721	-	384,721
Gain on forgiveness of PPP note	369,400	-	369,400
Disaster relief	-	180,296	180,296
Realized gains on sales of investments	170,508	-	170,508
Miscellaneous income	26,753	-	26,753
Loss on disposal of equipment	(9,522)	-	(9,522)
Net assets released from restrictions	<u>15,626,311</u>	<u>(15,626,311)</u>	<u>-</u>
Total revenues, gains and other support	<u>39,199,783</u>	<u>3,335,332</u>	<u>42,535,115</u>
<b>Expenses:</b>			
Program expenses	25,810,230	-	25,810,230
Supporting services:			
Administrative	600,135	-	600,135
Fundraising	182,058	-	182,058
Total expenses	<u>26,592,423</u>	<u>-</u>	<u>26,592,423</u>
Increase in Net Assets	12,607,360	3,335,332	15,942,692
Net Assets, August 31, 2020	<u>7,356,882</u>	<u>4,672,978</u>	<u>12,029,860</u>
Net Assets, August 31, 2021	<u>\$ 19,964,242</u>	<u>\$ 8,008,310</u>	<u>\$ 27,972,552</u>

See accompanying notes.

COASTAL BEND FOOD BANK  
STATEMENT OF ACTIVITIES  
For the Year Ended August 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, gains and other support:</b>			
<b>Grants - Federal and State:</b>			
USDA commodities	\$ -	\$ 8,463,993	\$ 8,463,993
Emergency management assistance	2,098,600	-	2,098,600
USDA administrative cost reimbursement	500,308	-	500,308
USDA nutrition education reimbursement	152,273	-	152,273
Mobile pantry income	135,412	-	135,412
Neighborhood diabetes program	126,715	2,800	129,515
TFBN Outreach reimbursement	73,912	-	73,912
Produce	-	50,000	50,000
Total Federal and State grants	3,087,220	8,516,793	11,604,013
Value of donated food inventory, net of food scrapped of \$534,331	10,582,174	-	10,582,174
Disaster Relief	147,116	2,059,973	2,207,089
Donations and private grants	1,170,043	653,200	1,823,243
Emergency management assistance commodities	-	1,428,195	1,428,195
Handling fees	867,762	-	867,762
Change in value of amount held with Coastal Bend Community Foundation	317,922	-	317,922
Unrealized gain on investments	253,283	-	253,283
Dividend and interest income	155,170	-	155,170
Special events, net of expenses of \$15,536	136,239	-	136,239
Realized gain on sales of investments	29,846	-	29,846
Miscellaneous income	27,763	-	27,763
Net assets released from restrictions	10,282,841	(10,282,841)	-
Total revenues, gains and other support	27,057,379	2,375,320	29,432,699
<b>Expenses:</b>			
Program expenses	25,312,336	-	25,312,336
Supporting services:			
Administrative	551,283	-	551,283
Fundraising	129,596	-	129,596
Total expenses	25,993,215	-	25,993,215
Increase in Net Assets	1,064,164	2,375,320	3,439,484
Net Assets, August 31, 2019	6,292,718	2,297,658	8,590,376
Net Assets, August 31, 2020	\$ 7,356,882	\$ 4,672,978	\$ 12,029,860
See accompanying notes.			

COASTAL BEND FOOD BANK  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended August 31, 2021

	Program Services	Supporting Services			Total Expenses
		Administrative	Fundraising	Total	
Food distributed	\$ 22,286,336	\$ -	\$ -	\$ -	\$ 22,286,336
Salaries and wages	842,425	414,926	-	414,926	1,257,351
Other project expenses	1,152,661	-	-	-	1,152,661
Disaster prevention expense	681,306	-	-	-	681,306
Insurance	217,013	106,887	-	106,887	323,900
Depreciation expense	179,356	25,622	-	25,622	204,978
Fundraising expense	-	-	179,282	179,282	179,282
Repairs and maintenance	171,467	-	-	-	171,467
Payroll tax expense	57,107	28,127	-	28,127	85,234
Utilities	68,980	9,854	-	9,854	78,834
Truck and van expense	59,719	-	-	-	59,719
Office expense	13,743	11,244	2,776	14,020	27,763
Membership fees	24,789	-	-	-	24,789
Warehouse expenses	22,463	-	-	-	22,463
Professional fees	13,250	-	-	-	13,250
Advertising expense	6,350	3,127	-	3,127	9,477
Storage	9,139	-	-	-	9,139
Postage	3,778	-	-	-	3,778
Travel expenses	348	348	-	348	696
	<u>\$ 25,810,230</u>	<u>\$ 600,135</u>	<u>\$ 182,058</u>	<u>\$ 782,193</u>	<u>\$ 26,592,423</u>

See accompanying notes.



COASTAL BEND FOOD BANK  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended August 31, 2020

	Program Services	Supporting Services			Total Expenses
		Administrative	Fundraising	Total	
Food distributed	\$ 20,625,674	\$ -	\$ -	\$ -	\$ 20,625,674
Other project expenses	1,342,707	-	-	-	1,342,707
Salaries and wages	759,935	374,296	-	374,296	1,134,231
Disaster prevention expense	1,087,148	-	-	-	1,087,148
Insurance	175,323	86,353	-	86,353	261,676
Outreach expense	250,160	-	-	-	250,160
Depreciation expense	171,378	24,482	-	24,482	195,860
Repairs and maintenance	170,532	-	-	-	170,532
Nutrition education	160,257	-	-	-	160,257
Mobile pantry expenses	152,893	-	-	-	152,893
Fundraising	-	-	126,968	126,968	126,968
Disaster relief funds expense	104,590	-	-	-	104,590
Payroll tax expense	57,493	28,317	-	28,317	85,810
Utilities	70,585	10,083	-	10,083	80,668
Warehouse expenses	73,744	-	-	-	73,744
Truck and van expenses	57,441	-	-	-	57,441
Office expense	11,828	11,828	2,628	14,456	26,284
Membership fees	21,830	-	-	-	21,830
Professional fees	-	12,875	-	12,875	12,875
Summer feeding program	9,586	-	-	-	9,586
Bank fees	4,764	2,346	-	2,346	7,110
Postage	3,245	-	-	-	3,245
Travel expenses	702	703	-	703	1,405
Census project	521	-	-	-	521
	<u>\$ 25,312,336</u>	<u>\$ 551,283</u>	<u>\$ 129,596</u>	<u>\$ 680,879</u>	<u>\$ 25,993,215</u>

See accompanying notes.

COASTAL BEND FOOD BANK  
STATEMENTS OF CASH FLOWS  
For the Years Ended August 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Increase in net assets	\$ 15,942,692	\$ 3,439,484
Adjustments to reconcile net assets to net cash provided by operating activities		
Depreciation	204,978	195,860
Unrealized gain on investments	(799,392)	(253,283)
Realized gains on sales of investments	(170,508)	(29,846)
Loss on disposal of property and equipment	9,522	-
In-kind contribution of food and non-food items	(22,604,013)	(21,008,693)
Distributions of in-kind food and non-food items	22,344,572	20,759,326
(Increase) decrease in beneficial interest held at Coastal Bend Community Foundation	(268,938)	8,259
Forgiveness of Paycheck Protection Program (PPP) note	(369,400)	-
Decrease (increase) in:		
Accounts receivable	(146,516)	(178,476)
Pledges receivable	(2,497,543)	-
Purchased inventory	(712,985)	(43,901)
Increase (decrease) in:		
Accounts payable	(53,823)	98,471
Accrued expenses	(13,107)	(1,012)
Net cash provided by operating activities	10,865,539	2,986,189
Cash flows from investing activities:		
Purchases of investments	(53,191,245)	(4,043,692)
Proceeds on disposals of equipment	6,000	-
Redemption of investments	43,574,519	1,050,013
Purchases of property and equipment	(1,360,050)	(75,655)
Net cash used in investing activities	(10,970,776)	(3,069,334)
Cash flows from financing activities:		
Proceeds from PPP note	-	369,400
Net cash provided by financing activities	-	369,400
Net change in cash	(105,237)	286,255
Cash at beginning of year	666,563	380,308
Cash at end of year	\$ 561,326	\$ 666,563
 SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITY		
Forgiveness of Paycheck Protection Program (PPP) note payable	\$ 369,400	\$ -

See accompanying notes.

COASTAL BEND FOOD BANK  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended August 31, 2021 and 2020

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 \$4,925,134 and \$4,803,258 (12% and 16% of revenues), for the years ended August 31, 2021 and 2020, respectively.

The U.S. Department of Agriculture (USDA) is administering a Trade Mitigation Food Purchase and Distribution Program (Trade Mitigation Food Program) to purchase up to \$1.2 billion in USDA Foods. The bulk of this food is being distributed through The Emergency Food Assistance Program (TEFAP), which is USDA's primary outlet for foods purchased through market support mechanisms. The Food Bank distributed 919,764 and 2,802,124 pounds of food under the Trade Mitigation Food Program for the years ending August 31, 2021 and 2020, respectively.

Beginning in the Spring of 2020, under the statutory authority of the CARES Act, the USDA through the Texas Department of Agriculture (TDA) is administering a program to reimburse incurred costs of distribution USDA foods relating to the COVID-19 crisis. The bulk of this food is being distributed through TEFAP, which is USDA's primary outlet for foods purchased through market support mechanisms. Additionally, USDA is making CARES funds available to assist with the operational costs of the receipt, storage and distribution of these foods. The Food Bank received \$110,242 and \$139,056 of CARES funds for the years ending August 31, 2021 and 2020, respectively.

In the Spring of 2020, under the statutory authority of the Texas Government Code, Chapter 418 and the CARES, the U.S. Department of Homeland Security (USDHS) through the Texas Division of Emergency Management (TDEM) and the Texas A&M University System, an agency of the State of Texas, are administering a program to purchase and distribute food as an emergency protective measure related to the COVID-19 crisis. The food is purchased under the rules and regulations of the Federal Emergency Management Agency (FEMA) Public Assistance Program. The Food Bank received \$603,309 and \$2,086,600 of funding through this program for the years ending August 31, 2021 and 2020, respectively.

COASTAL BEND FOOD BANK  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended August 31, 2021 and 2020

NOTE 1 – NATURE OF ACTIVITIES (Continued)

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 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* – The Food Bank has a team of nutrition educators and a registered dietitian who inspire change in food choices and behaviors of children and adults so they can live healthier lives. The Food Bank emphasizes 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* – The Food Bank 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.
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 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.

COASTAL BEND FOOD BANK  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended August 31, 2021 and 2020

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.

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.

COASTAL BEND FOOD BANK  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended August 31, 2021 and 2020

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, 2021 and 2020, 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 net assets without donor restrictions 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. Short-term investments consist of equity securities with original maturities of twelve months or less. Long-term investments consist of debt securities with original maturities greater than twelve months.

Pledges Receivable

Contributions are recognized when the donor makes a promise to give to the Food Bank that is, in substance, unconditional. The Food Bank accounts for pledges receivable to be made in future years as unconditional promises to give in the year the promise is made. Contributions to be received after one year are presented at their discounted present value at a risk-adjusted rate. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. The fair value amount of pledges receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that not be collected. All pledges deemed to be uncollectible are written off. As of August 31, 2021, management considered all pledges receivable to be collectible, therefore, no allowance for uncollectible promises has been provided.

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 \$1.74 and \$1.62 per pound for the years ended August 31, 2021 and 2020, 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.

COASTAL BEND FOOD BANK  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended August 31, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

USDA commodities and FEMA purchased inventory amounts as of August 31, 2021 and 2020 are restricted to distribution programs serving low-income families and individuals. The receipt of these commodities is reflected in the statement of activities as revenues with donor restrictions. Accordingly, the distribution of these commodities is reflected in the statement of activities as assets released from restriction.

Property and Equipment

Purchased property and equipment is capitalized at cost. Donations of property and equipment are capitalized at their estimated fair value at the date contributed. Such donations are reported as contributions 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 contributions with donor restrictions. 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. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from three to seven years for vehicles, office furniture and equipment, and fifteen to thirty-nine years for buildings and building improvements. Gains and losses on dispositions, if applicable, are included in current operations.

Contributions and Contributed Services

Contributions received are recorded as income support without donor restrictions (Unconditional) or as income support with donor restrictions (Conditional) depending on the existence and nature of any donor restrictions. Revenues and net assets are separately reported to reflect the nature of contributions, with or without donor restrictions.

Conditional contributions include all contributions with donor-imposed conditions or stipulations representing a barrier that must be overcome before the recipient is entitled to the assets being transferred or promised. A failure to overcome the barrier gives the contributor a right of return of the assets it has transferred or the ability to rescind an obligation to transfer.

Unconditional contributions include all contributions that do not contain a barrier to use and therefore are recorded as revenue once cash or a contribution is received. Donor imposed restrictions for time and/or purpose are not considered a significant barrier and thus these contributions are recorded as unconditional.

**COASTAL BEND FOOD BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Years Ended August 31, 2021 and 2020

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 60,002 hours of services from 11,346 volunteers for the year ending August 31, 2021. The Food Bank received 42,307 hours of services from 9,588 volunteers for the year ending August 31, 2020.

**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 program services, management and general, and fund-raising categories based on management determination of the nature of the costs and employee time expended.

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

**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, 2021 and 2020.



COASTAL BEND FOOD BANK  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended August 31, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018, 2019, and 2020 are subject to examination by the IRS, generally for three years after they are filed.

Subsequent events

Management of the Food Bank has evaluated subsequent events for disclosure through March 16, 2022, the date the financial statements were available to be issued.

Recent Pronouncements not yet Adopted

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. However, ASU 2020-05, *Leases* (Topic 842) amends the previous effective date for the Food Bank. The new standard is now effective for the Food Bank's August 31, 2023 fiscal year. The Food Bank is currently evaluation the impact of the new standard on its financial statements.

In September 2020, the FASB issued 2020-07, *Not-for-Profit Entities* (Topic 958), *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments require presentation of contributed nonfinancial assets as a separate line item in the statement of activities (apart from cash and other financial assets). In addition, disclosure is required for each type of contributed financial asset including uses, policies, restrictions, valuation details, and market information. ASU No. 2020-07 is effective for the fiscal year ending August 31, 2023. The Food Bank is currently evaluating the impact of the new standard on its financial statements.

COASTAL BEND FOOD BANK  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended August 31, 2021 and 2020

NOTE 3 – RESTRICTIONS ON NET ASSETS

Capital Campaign

The Food Bank intends to acquire land and build a new facility to relocate the Food Bank's operations. This new location and building will provide more space for the Food Bank daily activities. To fund the acquisition and renovation costs, the Food Bank has raised support of \$4,827,397, of which \$1,108,273 has been expended as of August 31, 2021. The Food Bank solicited contributions through a Capital Campaign. Pledges to give and certain cash raised through the Capital Campaign are restricted in investments. Those restrictions are considered to expire when payments for expenses are made. Interest earned on the temporary investment of such support is without donor restrictions.

Endowment Fund

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.

The Food Bank may withdraw the entire Fund over a three-month period. Not included in funds to be withdrawn are those designated as a permanent endowment (\$136,000), specifying that the funds are to be held by the Foundation. Approval of a principal distribution is required by the Foundation in its sole and absolute discretion and shall be based upon whether the distribution would further the purposes of the Food Bank. Any principal distributed from the Fund to the Food Bank shall be used solely for the purposes of the Food Bank and solely for purposes allowed by Internal Revenue Code Section 501(c)(3).

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 were made to or distributions made from the Fund for the years ended August 31, 2021 and 2020. All activity from endowment fund is net investment performance which includes unrealized gains (losses) on investments and administrative fees.

COASTAL BEND FOOD BANK  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended August 31, 2021 and 2020

NOTE 3 – RESTRICTIONS ON NET ASSETS (Continued)

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.

NOTE 4 – CONTINGENCIES

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

**COASTAL BEND FOOD BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Years Ended August 31, 2021 and 2020

**NOTE 5 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following represents the Food Bank’s financial assets available for general expenditures within one year at August 31, 2021 and 2020. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	\$ 561,326	\$ 666,563
Investments	17,936,960	7,350,334
Accounts receivable	449,563	303,047
Total financial assets at year-end	18,947,849	8,319,944
Less those unavailable for general expenditures within one year, due to:		
Donor-restricted to maintain as an endowment	(136,000)	(136,000)
Financial assets available to meet cash needs for general expenditure within one year	\$ 18,811,849	\$ 8,183,944

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. Donor-restricted net assets not meeting the above criteria totaled \$7,872,310. These funds can be expended once the funds meet the criteria discussed in NOTE 2. Subsequent to August 31, 2021, but prior to the issuance of the audit report, the Food Bank’s board of directors designated a donation of \$9,000,000 received during the current fiscal year from one donor to the Capital Campaign.

**NOTE 6 – INVESTMENTS**

Investments consisted of the following as of August 31:

	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<u>August 31, 2021</u>				
Mutual Funds	\$16,574,380	\$1,218,180	\$ --	\$17,792,560
Certificates of Deposit	141,757	--	--	141,757
Common Stock	2,643	--	--	2,643
	<u>\$16,718,780</u>	<u>\$1,218,180</u>	<u>\$ --</u>	<u>\$17,936,960</u>
<u>August 31, 2020</u>				
Certificates of Deposit	\$3,889,443	\$ --	\$ --	\$ 3,889,443
Mutual Funds	3,039,460	418,788	--	3,458,248
Common Stock	2,643	--	--	2,643
	<u>\$6,931,546</u>	<u>\$ 418,788</u>	<u>\$ --</u>	<u>\$ 7,350,334</u>

**COASTAL BEND FOOD BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Years Ended August 31, 2021 and 2020

**NOTE 6 – INVESTMENTS (Continued)**

Net interest and dividend income for the years ending August 31, 2021 and 2020 were \$466,933 and \$155,170, respectively. Net unrealized gains of \$799,392 and \$253,283 were recorded on the books of the Food Bank for the years ending August 31, 2021 and 2020, respectively. Net realized gains of \$170,508 and \$29,846 were recorded for the years ending August 31, 2021 and 2020, respectively. Total investment return was \$1,436,833 and \$438,299 for the years ending August 31, 2021 and 2020, 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, 2021 and 2020 is as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Pounds</u>	<u>Dollars</u>	<u>Pounds</u>	<u>Dollars</u>
Donated inventory:				
Donated inventory	84,999	\$ 147,898	255,595	\$ 414,064
USDA commodities – donor restricted	616,919	1,073,439	182,661	295,911
FEMA commodities – donor restricted	240,553	412,029	638,060	663,950
Produce inventory	--	--	--	--
	<u>942,471</u>	<u>\$1,633,366</u>	<u>1,076,316</u>	<u>\$ 1,373,925</u>
Purchased food inventory:				
Purchased inventory	<u>725,559</u>	<u>\$ 787,817</u>	<u>46,195</u>	<u>\$ 74,832</u>

**NOTE 8 – PLEDGES RECEIVABLE, NET**

Pledges receivable are recorded at their estimated fair value. Amounts due in more than one year are recorded at the present value of the estimated future cash flows discounted at an adjust risk-free rate, applicable to the year in which the promises were received from .07% to .09%. Donor restricted pledges receivable consisted of the following as of August 31:

	<u>2021</u>	<u>2020</u>
Total pledges receivable	\$ 2,500,000	\$ --
Less: Allowance for uncollectable pledges	(--)	(--)
Less: Discount to present value	<u>(2,457)</u>	<u>(--)</u>
Pledges receivable, net	<u>\$ 2,497,543</u>	<u>\$ --</u>

COASTAL BEND FOOD BANK  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended August 31, 2021 and 2020

NOTE 8 – PLEDGES RECEIVABLE, NET (Continued)

Pledges receivable at August 31, 2021, are scheduled to be collected as follows:

Receivable in one year	\$ 1,200,000
Receivable in one to five years	<u>1,300,000</u>
	2,500,000
Less: discount to net present value	<u>(2,457)</u>
Pledges receivable, net	<u>\$ 2,497,543</u>

At August 31, 2021, 100% of pledges receivable are due from three (3) donors and pledged to the Food Bank's Capital Campaign. See NOTE 3 for additional details regarding the Food Bank's Capital Campaign.

NOTE 9 – PROPERTY AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Building and improvements (Krill Street)	\$ 1,265,151	\$ 1,265,151
Vehicles	1,207,571	1,124,257
Land – New Building 5442 Bear Lane	1,026,247	--
Warehouse and freezer	605,632	605,632
Furniture and equipment	467,290	393,989
Land – 4822 Bear Lane	325,817	325,817
Land – 826 Krill Street	135,605	135,605
Construction in progress – New Building	82,026	--
Assets held for later use – Barcoding	19,300	--
Construction in progress – (previous costs)	<u>--</u>	<u>9,000</u>
	5,134,639	3,859,451
Less: Accumulated depreciation	<u>(2,176,313)</u>	<u>(2,040,675)</u>
Property and equipment, net	<u>\$ 2,958,326</u>	<u>\$ 1,818,776</u>

Depreciation expense for the years ended August 31, 2021 and 2020 totaled \$204,978 and \$195,860, respectively.

In April 2021, the Food Bank purchased land in the amount of \$1,026,247. Additional costs incurred related to the new building amounted to \$82,026 for the year ending August 31, 2021. These assets are not depreciable until the Food Bank moves into the completed location. Construction in progress of \$9,000 for expenses incurred in prior years relating to the acquisition of another property for the Food Bank were written off during the year ending August 31, 2021.

COASTAL BEND FOOD BANK  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended August 31, 2021 and 2020

**NOTE 10 – PAYCHECK PROTECTION PROGRAM LOAN**

On April 10, 2020, the Food Bank received a Payment Protection Program (PPP) as established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act) and facilitated by the Small Business Administrative (SBA), which provides for loans to qualifying entities for amounts up to 2.5 times the average monthly payroll expenses for the qualifying entity. The specific terms of the notes are that there will be monthly payments \$20,685 beginning November 10, 2020 at an annual rate of 1.00%. The maturity date of the loan was April 10, 2022.

Under the terms of the PPP, certain amounts of the loan may be forgiven if the funds are utilized for allowed expenses. The Food Bank applied for forgiveness on December 20, 2020 and on April 21, 2021, the total loan amount of \$369,400 was forgiven.

**NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS**

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

<u>Specific Purpose</u>	<u>2021</u>	<u>2020</u>
Capital campaign – Building/Land	\$ 3,750,524	\$ 31,400
Disaster relief – COVID-19	1,496,889	2,863,930
USDA commodities for distribution	1,073,439	295,911
Mobile Pantries	586,484	436,999
FEMA commodities for distribution	412,029	663,950
Kid’s backpack program	387,754	188,707
Endowment	136,000	136,000
Diabetes program	99,054	--
Kid’s program	27,000	--
Asset purchases	22,521	40,000
Culinary kits	15,159	--
Kid’s table program	853	16,081
Summer feeding program	604	--
Total net assets with donor restrictions	<u>\$ 8,008,310</u>	<u>\$ 4,672,978</u>

**COASTAL BEND FOOD BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Years Ended August 31, 2021 and 2020

**NOTE 11 – 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>2021</u>	<u>2020</u>
USDA commodities distributions	\$ 10,672,007	\$ 8,992,491
Capital campaign – Building/Land	1,108,273	--
Disaster relief - TDEM	1,915,183	16,689
Disaster relief	997,985	938,304
Neighborhood diabetes program	284,306	2,800
Other restrictions	278,500	--
Asset purchases	113,869	1,241
Mobile Pantries	83,300	152,893
Backpack programs	71,065	52,578
Food, freight and storage	50,000	75,662
FEMA commodities	24,254	12,000
Kid’s table program	15,228	8,795
Culinary kits	8,841	--
Healthy program	3,500	--
Kid’s café program expenses	--	16,694
Operation training	--	12,694
Total net assets released from restriction	<u>\$ 15,626,311</u>	<u>\$ 10,282,841</u>

**NOTE 12 – 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, 2021 and 2020, these commodities comprised approximately 48% and 40%, 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 87% and 91% of the assistance necessary to fund the administrative operations of the Food Bank for the years ending August 31, 2021 and 2020, respectively.



COASTAL BEND FOOD BANK  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended August 31, 2021 and 2020

NOTE 13 – CONTINGENCIES

The Food Bank receives funding or reimbursement from governmental agencies that are subject to specific compliance requirements and review and audit by the grantors or their representatives. Such audits could result in requests for reimbursement by the grantor agency for expenses disallowed under the terms and conditions specified in the grant agreements. The net effect of any disallowances or adjustments resulting from these activities could have a material effect on the Food Bank's financial position.

NOTE 14 – OPERATING LEASES

The Food Bank has non-cancelable operating leases, primarily for use of copier and postage equipment. These 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 2021 and 2020 was approximately \$8,369 and \$5,580, respectively.

The total amount of lease payments required under the operating leases for the years ending after August 31, 2021 is as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 5,376
2023	5,376
2024	5,376
2025	5,376
2026	<u>1,570</u>
Total:	<u>\$ 23,074</u>

NOTE 15 – 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 \$28,375 and \$23,211 for the years ending August 31, 2021 and 2020, respectively.

COASTAL BEND FOOD BANK  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended August 31, 2021 and 2020

NOTE 16 – 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, 2021 and 2020 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, 2021</u>				
Mutual funds	\$ 17,792,560	\$ 17,792,560	\$ --	\$ --
Certificates of Deposit	141,757	141,757	--	--
Common Stock	2,643	2,643	--	--
Beneficial interest in assets held by the Coastal Bend Community Foundation	<u>1,226,620</u>	--	--	<u>1,226,620</u>
<b>Total</b>	<b><u>\$ 19,163,580</u></b>	<b><u>\$ 17,936,960</u></b>	<b><u>\$ --</u></b>	<b><u>\$ 1,226,620</u></b>

COASTAL BEND FOOD BANK  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended August 31, 2021 and 2020

NOTE 16 – 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, 2020</u>				
Certificates of Deposit	\$ 3,889,443	\$ 3,889,443	\$ --	\$ --
Mutual funds	3,458,248	3,458,248	--	--
Common Stock	2,643	2,643	--	--
Beneficial interest in assets held by the Coastal Bend Community Foundation	<u>957,682</u>	<u>--</u>	<u>--</u>	<u>957,682</u>
<b>Total</b>	<b><u>\$ 8,308,016</u></b>	<b><u>\$ 7,350,334</u></b>	<b><u>\$ --</u></b>	<b><u>\$ 957,682</u></b>

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, 2021 and 2020.

**COASTAL BEND FOOD BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Years Ended August 31, 2021 and 2020

**NOTE 16 – FAIR VALUE MEASUREMENTS (Continued)**

The following table summarizes the changes in fair value of the Food Bank’s Level 3 financial assets for the year ended August 31:

	<u>Beneficial interest in assets held by Coastal Bend Community Foundation</u>	
	<u>2021</u>	<u>2020</u>
Balance at September 1	\$ 957,682	\$ 965,941
Net investment performance	268,938	(8,259)
Distributions to the Food Bank	--	--
Balance at August 31	<u>\$ 1,226,620</u>	<u>\$ 957,682</u>

Net investment performance includes realized and unrealized gains (losses) on investments, investment income and administrative fees.

**NOTE 17 – RELATED-PARTY TRANSACTIONS**

A board member of the Food Bank is an employee of a supermarket chain to which the Food Bank paid \$2,925 and \$18,499 for the years ending August 31, 2021 and 2020, respectively.

**NOTE 18 – UNCERTAINTY**

As a result of COVID-19, economic uncertainties have arisen which may negatively affect the consolidated financial position, results of operations and cash flows of the Food Bank. The uncertainties include market value fluctuations of investments and potential impact on donor contributions. The duration of these uncertainties and financial effects cannot be reasonably estimated at this time.

COASTAL BEND FOOD BANK  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended August 31, 2021

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Passed Through Entity Identifying Number	Passed Through to Subrecipients	Receipts	Total Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>					
Passed Through the:					
<u>The Food Distribution - Cluster</u>					
Texas Department of Agriculture					
Emergency Food Assistance Program (Food Commodities)	10.569	04004	\$ -	\$ 11,449,536	\$ 10,672,007
Texas Department of Agriculture					
Emergency Food Assistance Program (Administrative Costs)	10.568	04004	-	362,285	362,285
COVID-19-funds passed through the					
Texas Department of Agriculture					
Emergency Food Assistance Program (Administrative Costs)	10.568	04004	-	110,242	110,242
Trade Mitigation Food Purchases and Distribution Program (Administrative Costs)					
	10.178	04004	-	49,955	49,955
Total passed-through Texas Department of Agriculture				<u>11,972,018</u>	<u>11,194,489</u>
Passed Through the:					
Texas Health and Human Services Commission (THHSC)					
Supplemental Nutrition Assistance Program	10.561	529-10-0011-00003E	-	174,781	174,781
Total passed-through THHSC				<u>174,781</u>	<u>174,781</u>
Passed Through the:					
Texas Food Bank Network:					
Food Stamp Outreach	N/A	529-16-0002-00002	-	75,239	75,239
Total passed-through Texas Food Bank Network				<u>75,239</u>	<u>75,239</u>
<b>Total U.S. Department of Agriculture</b>			-	<u>12,222,038</u>	<u>11,444,509</u>
<b><u>U.S. Department of Homeland Security</u></b>					
Passed Through the:					
United Way of America					
Emergency Food and Shelter Program	97.024	828400-004	-	24,255	24,255
Total Passed-through United Way of America				<u>24,255</u>	<u>24,255</u>
Passed Through the:					
Texas Division of Emergency Management (TDEM)					
Disaster Grants-Public Assistance (Presidentially Declared Disaster):	97.036	C2020-1708	-	603,309	1,152,661
Total Passed-through TDEM				<u>603,309</u>	<u>1,152,661</u>
<b>Total U.S. Department of Homeland Security</b>				<u>627,564</u>	<u>1,176,916</u>
<b>Total Federal Awards</b>				<u>\$ 12,849,602</u>	<u>\$ 12,621,425</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, 2021

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Coastal Bend Food Bank (the Food Bank) under programs of the federal government for the year ended August 31, 2021. 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, 2021, the Food Bank had \$1,073,439 of USDA commodities in inventory.

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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, 2021, 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 March 16, 2022.

**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.*

March 16, 2022  
Corpus Christi, Texas



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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, 2021. 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, 2021.

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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.*

March 16, 2022  
Corpus Christi, Texas

COASTAL BEND FOOD BANK  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended August 31, 2021

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	<b>The Food Distribution Cluster - Texas Department of Agriculture Emergency Food Assistance Program (Food Commodities)</b>
10.568	<b>Texas Department of Agriculture Emergency Food Assistance Program (Administrative Costs)</b>
97.036	<b>Texas Division of Emergency Management (TDEM) Disaster Grants-Public Assistance</b>

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, 2021**

**A**            **PRIOR YEAR FINDINGS - FINANCIAL STATEMENT AUDIT**

None

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

None