

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

**August 31, 2022 and 2021**

# 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 Audit of the Consolidated Financial Statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of the Coastal Bend Food Bank (the Food Bank), a Texas nonprofit organization, which comprise the consolidated statements of financial position as of August 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Food Bank as of August 31, 2022 and 2021, 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.

#### ***Basis for Opinion***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Food Bank and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Consolidated Financial Statements***

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Food Bank's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Food Bank's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Food Bank's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position and consolidating statement of activities on pages 43 – 44 are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements.

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The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements.

The consolidating financial statements and the schedule of expenditures of federal awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements.

The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 February 15, 2023, on our consideration of the Food Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Food Bank's 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.*

February 15, 2023  
Corpus Christi, Texas

COASTAL BEND FOOD BANK  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
August 31, 2022 and 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 28,978,318	\$ 561,326
Investments	3,028,073	17,936,960
Accounts receivable - government grants and contracts	356,959	425,699
Accounts receivable - agencies	50,430	23,864
Donated food inventory, net of food waste	577,372	1,633,366
Purchased food inventory	217,677	787,817
Pledges receivable for capital campaign - current	700,000	1,200,000
Other	50	50
Total Current Assets	33,908,879	22,569,082
Pledges receivable for capital campaign, net of current portion	598,742	1,297,543
Note receivable - Twain Investment Fund 668, LLC	20,641,037	-
Beneficial interest in assets held by		
Coastal Bend Community Foundation	1,137,791	1,226,620
Property and equipment, net of accumulated depreciation	3,599,240	2,958,326
Property and equipment - prior construction costs transferred to CBBF Holdings, Inc.	4,843,258	-
Operating lease right-of-use assets	17,478	-
Total Assets	\$ 64,746,425	\$ 28,051,571
<u>LIABILITIES AND NET ASSETS</u>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 62,484	\$ 50,042
Deferred revenue	23,744	28,977
Operating lease obligations due within one year	5,262	-
New Markets Tax Credit notes payable, current portion	326,524	-
Total Current Liabilities	418,014	79,019
Note payable, Ed Rachal Foundation	6,500,000	-
New Markets Tax Credit notes payable, net of unamortized debt issuance costs and current portion	27,372,919	-
Long-term operating lease obligations	12,216	-
Total Liabilities	34,303,149	79,019
<b>Net Assets</b>		
Without donor restrictions	20,959,624	19,964,242
With donor restrictions	9,483,652	8,008,310
Total Net Assets	30,443,276	27,972,552
Total Liabilities and Net Assets	\$ 64,746,425	\$ 28,051,571

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

COASTAL BEND FOOD BANK  
CONSOLIDATED STATEMENT OF ACTIVITIES  
For the Year Ended August 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Grants - Federal and State:			
USDA commodities	\$ -	\$ 6,195,691	\$ 6,195,691
USDA administrative cost reimbursement	423,115	-	423,115
Neighborhood diabetes program	-	216,188	216,188
USDA nutrition education	183,004	-	183,004
Emergency management assistance	-	141,722	141,722
Produce	-	136,620	136,620
TFBN Outreach reimbursement	78,520	-	78,520
TDHCA grant	-	58,428	58,428
Mobile pantry income	-	17,583	17,583
Total Federal and State grants	684,639	6,766,232	7,450,871
Value of donated food inventory, net of food scrapped of \$356,222	13,493,309	-	13,493,309
Donations and private grants	1,853,871	3,621,550	5,475,421
Gain on sale of property and equipment	1,713,932	-	1,713,932
Handling fees	642,050	-	642,050
Realized gains on sales of investments	487,942	-	487,942
Special events, net of expenses of \$6,505	266,071	-	266,071
Disaster relief	-	262,982	262,982
Dividend and interest income	251,268	-	251,268
In-kind donation - rent (Ed Rachal Foundation)	45,833	-	45,833
In-kind donation - food truck (Feeding America)	38,388	-	38,388
Other income	15,387	-	15,387
Change in value of amount held with Coastal Bend Community Foundation	(130,243)	-	(130,243)
Unrealized loss on investments	(1,250,889)	-	(1,250,889)
Net assets released from restrictions	9,175,322	(9,175,322)	-
Total revenues, gains and other support	27,286,880	1,475,442	28,762,322
Expenses:			
Program expenses	25,519,370	-	25,519,370
Supporting services:			
Administrative	641,398	100	641,498
Fundraising	130,730	-	130,730
Total expenses	26,291,498	100	26,291,598
Increase in Net Assets	995,382	1,475,342	2,470,724
Net Assets, August 31, 2021	19,964,242	8,008,310	27,972,552
Net Assets, August 31, 2022	\$ 20,959,624	\$ 9,483,652	\$ 30,443,276

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

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

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Grants - Federal and State:			
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 reimbursement	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	1,483,366	11,882,895	13,366,261
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
Forgiveness of Paycheck Protection Program note	369,400	-	369,400
Disaster relief	-	180,296	180,296
Realized gain on sales of investments	170,508	-	170,508
Other income	26,753	-	26,753
Loss on disposal of equipment	(9,522)	-	(9,522)
Net assets released from restrictions	15,626,311	(15,626,311)	-
Total revenues, gains and other support	39,199,783	3,335,332	42,535,115
Expenses:			
Program expenses	25,810,230	-	25,810,230
Supporting services:			
Administrative	600,135	-	600,135
Fundraising	182,058	-	182,058
Total expenses	26,592,423	-	26,592,423
Increase in Net Assets	12,607,360	3,335,332	15,942,692
Net Assets, August 31, 2020	7,356,882	4,672,978	12,029,860
Net Assets, August 31, 2021	\$ 19,964,242	\$ 8,008,310	\$ 27,972,552

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



COASTAL BEND FOOD BANK  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended August 31, 2022

	Coastal Bend Food Bank			CBFB Holdings Inc.		
	Program Services	Supporting Services		Total Coastal Bend Food Bank Expenses	Supporting Services	
	Administrative	Fundraising	Total Supporting Services		Administrative	Total Expenses
Food distributed	\$ 22,375,242	\$ -	\$ -	\$ 22,375,242	\$ -	\$22,375,242
Salaries and wages	899,033	442,807	442,807	1,341,840	-	1,341,840
Grant expense	648,858	-	-	648,858	-	648,858
Insurance	217,020	106,891	106,891	323,911	-	323,911
Outreach expenses	227,886	-	-	227,886	-	227,886
Repairs and maintenance	208,550	-	-	208,550	-	208,550
Depreciation expense	154,300	23,616	23,616	177,916	-	177,916
Nutrition education expenses	147,263	-	-	147,263	-	147,263
Fundraising expense	-	-	127,787	127,787	-	127,787
Utilities	104,187	14,884	14,884	119,071	-	119,071
Payroll tax expense	69,649	34,304	34,304	103,953	-	103,953
Truck and van expense	102,411	-	-	102,411	-	102,411
Disaster relief expenses	74,215	-	-	74,215	-	74,215
Mobile pantry expenses	64,279	-	-	64,279	-	64,279
Warehouse expenses	53,657	-	-	53,657	-	53,657
Storage	50,754	-	-	50,754	-	50,754
In-kind rent (Ed Rachal Foundation)	45,833	-	-	45,833	-	45,833
Membership fees	29,995	-	-	29,995	-	29,995
Office expense	13,242	13,242	2,943	29,427	-	29,427
Professional fees	21,194	-	-	21,194	-	21,194
Bank and card fees	5,341	2,630	2,630	7,971	100	8,071
Travel expenses	3,024	3,024	3,024	6,048	-	6,048
Postage	3,437	-	-	3,437	-	3,437
	<u>\$ 25,519,370</u>	<u>\$ 641,398</u>	<u>\$ 130,730</u>	<u>\$ 26,291,498</u>	<u>\$ 100</u>	<u>\$26,291,598</u>

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

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

	Coastal Bend Food Bank				Total Expenses
	Program Services	Supporting Services		Total Supporting Services	
	Administrative	Fundraising			
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	-	-	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 expenses	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
Bank and card fees	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>

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

COASTAL BEND FOOD BANK  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Years Ended August 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Increase in net assets	\$ 2,470,724	\$ 15,942,692
Adjustments to reconcile net assets to net cash provided by operating activities		
Depreciation	177,916	204,978
Unrealized loss (gain) on investments	1,250,889	(799,392)
Realized gains on sales of investments	(487,942)	(170,508)
Gain on sale of property and equipment	(1,713,932)	9,522
In-kind contribution of delivery truck	(38,888)	-
In-kind contribution of food and non-food items	(20,045,222)	(22,604,013)
Distributions of in-kind food and non-food items	21,101,216	22,344,572
Decrease (increase) in beneficial interest held at Coastal Bend Community Foundation	88,829	(268,938)
Forgiveness of Paycheck Protection Program note	-	(369,400)
Decrease (increase) in:		
Accounts receivable	42,174	(146,516)
Pledges receivable	1,198,801	(2,497,543)
Purchased inventory	570,140	(712,985)
Increase (decrease) in:		
Accounts payable	12,442	(53,823)
Deferred revenue	(5,233)	(13,107)
Net cash provided by operating activities	4,621,914	10,865,539
Cash flows from investing activities:		
Purchases of investments	(78,777,490)	(53,191,245)
Proceeds on sale of property and equipment	2,814,322	6,000
Redemption of investments	92,923,430	43,574,519
Purchases of property and equipment	(6,723,590)	(1,360,050)
Advance of proceeds made to Twain Investment Fund 668, LLC	(20,641,037)	-
Net cash used in investing activities	(10,404,365)	(10,970,776)
Cash flows from financing activities:		
Proceeds from New Markets Tax Credit notes payable	27,699,443	-
Proceeds from Ed Rachal Foundation note payable	6,500,000	-
Net cash provided by financing activities	34,199,443	-
Net change in cash	28,416,992	(105,237)
Cash at beginning of year	561,326	666,563
Cash at end of year	\$ 28,978,318	\$ 561,326

SUPPLEMENTAL DISCLOSURE

Non-cash financing and investing activity:

Transfer of prior construction costs paid by CBFB to CBFB Holdings, Inc.	\$ 4,843,258	\$ -
In-kind contribution of delivery truck	38,888	-
Establishment of Right-of-Use assets and liabilities	17,478	-
Forgiveness of Paycheck Protection Program note payable	-	369,400

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

COASTAL BEND FOOD BANK  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended August 31, 2022 and 2021

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.

CBFB Holdings, Inc. (Holdings), was created on March 3, 2022, and is organized and will be operated at all times exclusively for the benefit of the Food Bank. Holdings was organized to acquire, develop, and aid in the construction activity of the Food Bank's new operating facility. The acquisition, development and construction of the new facility was organized through the New Markets Tax Credit Program (NMTC Program). The NMTC Program attracts private capital into low-income communities by permitting individual and corporate investors to receive a tax credit against their federal income tax in exchange for making equity investments in specialized financial intermediaries called Community Development Entities (CDEs).

The accompanying consolidated financial statements include the financial statements of the Coastal Bend Food Bank and CBFB Holdings, Inc. The consolidated entity is referred to as the Food Bank.

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 \$5,489,258 and \$4,925,134 (19% and 12% of revenues), for the years ended August 31, 2022 and 2021, 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 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 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.

COASTAL BEND FOOD BANK  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended August 31, 2022 and 2021

NOTE 1 – NATURE OF ACTIVITIES (Continued)

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 assists 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, dairy, fresh produce along with diabetes education classes are provided.

The U.S. Department of Agriculture (USDA) administered 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 was 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 pounds of food under the Trade Mitigation Food Program for the year ending August 31, 2021. The Food Bank did not distribute food under the Trade Mitigation Food Program for the year ending August 31, 2022.

Beginning in the Spring of 2020, under the statutory authority of the CARES Act, the USDA through the Texas Department of Agriculture (TDA) administered a program to reimburse incurred costs of distributing USDA foods relating to the COVID-19 crisis. The bulk of this food was distributed through TEFAP. Additionally, USDA made CARES funds available to assist with the operational costs of the receipt, storage, and distribution of these foods. The Food Bank received \$110,242 of CARES funds for the year ending August 31, 2021. The Food Bank did not receive CARES funds for the year ending August 31, 2022.

COASTAL BEND FOOD BANK  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended August 31, 2022 and 2021

NOTE 1 – NATURE OF ACTIVITIES (Continued)

In the Spring of 2020, under the statutory authority of the Texas Government Code, Chapter 418, and the CARES Act, 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, administered a program to purchase and distribute food as an emergency protective measure related to the COVID-19 crisis. The food was purchased under the rules and regulations of the Federal Emergency Management Agency (FEMA) Public Assistance Program. The Food Bank received \$603,309 of funding through this program for the year ending August 31, 2021. The Food Bank did not receive funding through this program for the year ending August 31, 2022.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The accompanying consolidated financial statements include the financial statements of the Coastal Bend Food Bank and CBFB Holdings, Inc. As CBFB Holdings, Inc. was organized in March 2022, only the financial statements for the year ending August 31, 2022, are consolidated. The financial statements for the year ending August 31, 2021, represent only the financial position and operations of the Coastal Bend Food Bank. All significant inter-organization transactions have been eliminated in the consolidated financial statements for the year ending August 31, 2022. The consolidated entity is referred to as the Food Bank.

Basis of Presentation

The Food Bank prepares its consolidated 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, whereby 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.

COASTAL BEND FOOD BANK  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended August 31, 2022 and 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of consolidated 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.

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, 2022 and 2021, 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. Investments consist of mutual funds and long-term certificates of deposit 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 may not be collected. All pledges deemed to be uncollectible are written off. As of August 31, 2022, management considered all pledges receivable to be collectible, therefore, no allowance for uncollectible promises has been provided.

COASTAL BEND FOOD BANK  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended August 31, 2022 and 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 \$1.79 and \$1.74 per pound for the years ended August 31, 2022 and 2021, 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, 2022 and 2021 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.

Reclassifications

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



COASTAL BEND FOOD BANK  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended August 31, 2022 and 2021

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.

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.

The Food Bank receives a significant amount of donated services from unpaid volunteers who assist in their 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 46,335 hours of services from 11,357 volunteers for the year ending August 31, 2022. The Food Bank received 60,002 hours of services from 11,346 volunteers for the year ending August 31, 2021.

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, 2022 and 2021.

COASTAL BEND FOOD BANK  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 For the Years Ended August 31, 2022 and 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and Revenue Recognition

The Food Bank follows ASU No. 2014-09 Revenue from Contracts with Customers (Topic 606) which established a comprehensive revenue recognition standard for virtually all industries in U.S. GAAP, including those that previously followed industry-specific guidance. Management has undertaken a review of contracts and revenue streams for all net revenues. In the context of Topic 606 as it applies to the Food Bank, customers and responsible parties include partner agencies and the lessee/lessor arrangement between the Food Bank. Adoption of this standard had no significant impact on the Food Bank’s accounting and related consolidated financial statements.

Government Grants and Contracts

Federal and state contracts and grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when incurred expenditures comply with specific contract or grant provisions. Amounts received prior to incurring qualifying expenses are reported as refundable advances in the statement of financial position. No amounts have been received in advance under federal and state contracts and grants. None of the grants or contracts involve an exchange portion. Disallowed costs due to oversight agency audits are recognized in the period the funds are repaid after the oversight agency has made its determination and issued a final correction action plan requiring repayment of such cost.

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

COASTAL BEND FOOD BANK  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended August 31, 2022 and 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status

The Coastal Bend 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. CBFH Holdings, Inc. is a corporation that is treated as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes had been made in the accompanying statements. The Food Bank's Form 990, Return of Organization Exempt from Income Tax, for the years ending August 31, 2019, 2020, and 2021 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 February 15, 2023, the date the consolidated financial statements were available to be issued.

Recent Pronouncements Adopted

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*. Topic 958 requires 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, 2022, with early adoption permitted. The adoption of the ASU did not have a material impact on the Food Bank.

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. The new standard established a right-of-use (ROU) model that required the Food Bank to record an ROU asset and a lease liability on the balance sheet. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Leases with a term of less than 12 months will not record a ROU asset and lease liability. Effective September 1, 2021, the Food Bank adopted FASB ASC 842, *Leases*.

The Food Bank elected the package of practical expedients permitted under the transition guidance within the new standards, which among other things, allowed it to carry forward the historical lease classification. The Food Bank has elected to not separate lease and non-lease components for all underlying asset classes. They have also elected to use the risk-free rate as the discount rate when the discount rate implicit in the lease agreement. The adoption of FASB ASC 842 did not have a material impact on the Food Bank's results of operations, cash flows or debt covenants, as applicable.

COASTAL BEND FOOD BANK  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended August 31, 2022 and 2021

NOTE 3 – RESTRICTIONS ON NET ASSETS

Capital Campaign

The Food Bank acquired land and is in the process of building a new facility to relocate the Food Bank's operations. This new operating facility will provide more space for the Food Bank's daily activities. To aid in funding the acquisition and construction of the new facility the Food Bank solicited contributions through a Capital Campaign. The total amount raised through the Campaign was \$8,161,254, of which \$1,108,273 has been expended as of August 31, 2022. Pledges to give and certain cash raised through the Capital Campaign are restricted in investments. Those restrictions are considered to expire when payments for construction 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, 2022 and 2021. 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 CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended August 31, 2022 and 2021

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 CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended August 31, 2022 and 2021

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, 2022 and 2021. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	\$ 28,978,318	\$ 561,326
Investments	3,028,073	17,936,960
Pledge receivables, current portion	700,000	1,200,000
Accounts receivable	407,389	449,563
Total financial assets at year-end	33,113,780	20,147,849
Less those unavailable for general expenditures within one year, due to:		
Notes payable NMTC and new construction	(28,780,498)	--
Investments	(3,028,073)	(17,936,960)
Pledge receivables, current portion	(700,000)	(1,200,000)
Donor-restricted to maintain as an endowment	(136,000)	(136,000)
Financial assets available to meet cash needs for general expenditure within one year	\$ 469,209	\$ 874,889

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 \$9,483,652. These funds can be expended once the funds meet the criteria discussed in NOTE 2.

COASTAL BEND FOOD BANK  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended August 31, 2022 and 2021

NOTE 6 – INVESTMENTS

Investments consisted of the following as of August 31, 2022 and 2021, respectively.

	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
<u>August 31, 2022</u>				
Mutual Funds – Equities	\$ 2,330,268	\$ 10,224	\$ --	\$ 2,340,492
Certificates of Deposit	557,865	--	--	557,865
Mutual Funds – Fixed Income	129,928	--	212	129,716
	<u>\$ 3,018,061</u>	<u>\$ 10,224</u>	<u>\$ 212</u>	<u>\$ 3,028,073</u>
 <u>August 31, 2021</u>				
Mutual Funds – Equities	\$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>

Net interest and dividend income for the years ending August 31, 2022 and 2021 was \$251,268 and \$466,933, respectively. Net unrealized (loss) and gains of (\$1,250,889) and \$799,392 were recorded on the books of the Food Bank for the years ending August 31, 2022 and 2021, respectively. Net realized gains totaled \$487,942 and \$170,508 for the years ending August 31, 2022 and 2021, respectively. Total investment return was (\$511,679) and \$1,436,833 for the years ending August 31, 2022 and 2021, 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 consolidated 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.

COASTAL BEND FOOD BANK  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended August 31, 2022 and 2021

NOTE 7 – INVENTORY (Continued)

The total value of contributed food for the years ended August 31, 2022 and 2021 is as follows:

	<u>2022</u>		<u>2021</u>	
	<u>Pounds</u>	<u>Dollars</u>	<u>Pounds</u>	<u>Dollars</u>
Donated inventory:				
Donated inventory	84,650	\$ 151,524	84,999	\$ 147,898
USDA commodities – donor restricted	152,637	273,220	616,919	1,073,439
FEMA commodities – donor restricted	73,632	128,119	240,553	412,029
Produce inventory	13,692	24,509	--	--
	<u>324,611</u>	<u>\$ 577,372</u>	<u>942,471</u>	<u>\$ 1,633,366</u>
Purchased food inventory:				
Purchased inventory	<u>194,860</u>	<u>\$ 217,677</u>	<u>725,559</u>	<u>\$ 787,817</u>

NOTE 8 – PLEDGES RECEIVABLE, NET

Pledges receivables 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 (.07%), applicable to the year in which the promises were received. Donor restricted pledges receivable consisted of the following as of August 31:

	<u>2022</u>	<u>2021</u>
Total pledges receivable	\$ 1,300,000	\$ 2,500,000
Less: Allowance for uncollectable pledges	(--)	(--)
Less: Discount to present value	(1,258)	(2,457)
Pledges receivable, net	<u>\$ 1,298,742</u>	<u>\$ 2,497,543</u>

Pledges receivable at August 31, 2022, are scheduled to be collected as follows:

Receivable in one year	\$ 700,000
Receivable in one to five years	<u>600,000</u>
	1,300,000
Less: discount to net present value	<u>(1,258)</u>
Pledges receivable, net	<u>\$ 1,298,742</u>

At August 31, 2022, 100% of pledges receivable are due from two (2) donors and pledged to the Food Bank’s Capital Campaign. See NOTE 3 for additional details regarding the Food Bank’s Capital Campaign.



COASTAL BEND FOOD BANK  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 For the Years Ended August 31, 2022 and 2021

NOTE 9 – NOTE RECEIVABLE

In connection with the issuance of New Markets Tax Credit Program (NMTC), the Food Bank entered into the following note receivable on June 24, 2022, to lend \$20,641,037 to Twain Investment Fund 668, LLC (Twain). The note is secured by Twain’s 99.99% membership interest in USBCDE Sub-CDE 231, LLC, Impact CDE 75 LLC, TMF Sub-CDE 38, LLC, and Partnerships of Hope 38, LLC, collectively the Community Development Entities (CDEs).

Interest on the unpaid principal amount at the rate of 1.221% per annum is computed on the basis of a thirty (30) calendar day month and a three hundred sixty (360) calendar day year; provided, however, that the first quarterly payment of interest is calculated based on the period from June 24, 2022, through August 31, 2022, and thereafter quarterly interest payments are calculated through the end of the month. The first quarterly payment will be on September 10, 2022, and payments will be made on each March 10, June 10, September 10, and December 10 thereafter through August 31, 2029. Annual interest payments due under this note agreement as of August 31 is as follows: for year 2023 - \$193,223, for years 2024 – 2028 - \$206,410 and for year 2029 - \$214,437.

Starting March 10, 2030 and through the maturity date of December 1, 2046, payments of principal and interest are payable quarterly on the same dates. All remaining principal and accrued and unpaid interest shall be due and payable on the maturity date.

Future minimum principal receipts are as follows for the years ending August 31:

Year	Amount
2023	\$ --
2024	--
2025	--
2026	--
2027	--
Thereafter	20,461,037
	\$ 20,461,037

COASTAL BEND FOOD BANK  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended August 31, 2022 and 2021

NOTE 10 – PROPERTY AND EQUIPMENT

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

	<u>2022</u>	<u>2021</u>
Construction-in-progress – 5442 Bear Lane	\$ 6,482,144	\$ 82,026
Land – 5442 Bear Lane	1,026,295	1,026,247
Vehicles	1,232,115	1,207,571
Furniture and equipment	472,762	467,290
Assets held for later use	290,746	19,300
Building and improvements (Krill Street)	--	1,265,151
Warehouse and freezer (Krill Street)	--	605,632
Land – 4822 Bear Lane	--	325,817
Land – 826 Krill Street	--	135,605
	<u>9,504,062</u>	<u>5,134,639</u>
Less: Accumulated depreciation	<u>(1,061,564)</u>	<u>(2,176,313)</u>
Property and equipment, net	<u>\$ 8,442,498</u>	<u>\$ 2,958,326</u>

Depreciation expense for the years ended August 31, 2022 and 2021 totaled \$177,916 and \$204,978, respectively.

In April 2021 the Food Bank purchased land (5442 Bear Lane) for the construction of their new operating facility in the amount of \$1,026,247. The cost of acquiring the land and ensuing construction and other related costs paid for by the Coastal Bend Food Bank prior to entering the New Markets Tax Credit Program in June 2022 amounted to \$4,843,258. These costs and title to the new land were transferred to CBFB Holdings, Inc. at the time the New Markets Tax Credit agreements were entered into.

The land, buildings and improvements located on Krill Street and the land located at 4822 Bear Lane were sold to the Ed Rachal Foundation on June 6, 2022. A gain of \$1,713,932 was recognized on these sales.

COASTAL BEND FOOD BANK  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE 11 – NEW MARKETS TAX CREDIT NOTES PAYABLE

In connection with New Markets Tax Credit Program, CFBF Holdings, Inc. executed loan agreements for eight separate promissory notes effective June 24, 2022 that provide for borrowings totaling \$28,567,500 from the Community Development Entities (CDEs) which are IMPACT CDE 75 LLC; USBCDE SUB-CDE 231, LLC; TMF SUB-CDE 38, LLC and PARTNERSHIPS OF HOPE 38, LLC, collectively the Lenders (Lenders). The loans were used to finance the construction of an approximately 108,200 square foot food warehouse and distribution center located in Corpus Christi, Texas and are intended to be treated as a “qualified low-income community investment” for purposes of generating New Markets Tax Credit (NMTC) under Section 45D of the Internal Revenue Code of 1986, as amended. The loans are secured by a property deed of trust, security agreement and fixture filing on this property and a guaranty by the Food Bank.

All eight notes originated on June 24, 2022 and bear interest at an annual interest rate of 1.221% and mature on December 1, 2056. Interest is payable quarterly on March 1, June 1, September 1, and December 1 of each year, beginning September 1, 2022, through December 1, 2029. Annual interest payments due under these note agreements as of August 31 are as follows: for year 2023 - \$326,546, for years 2024 – 2028 - \$348,809 and for year 2029 - \$371,094.

Starting December 1, 2029, through the maturity date, payments of principal and interest are payable quarterly on the same dates. All remaining principal and accrued and unpaid interest shall be due and payable on the maturity date.

The note payable balances as of August 31 are as follows:

	<u>2022</u>	<u>2021</u>
IMPACT CDE 75 LLC – CIP Note A	\$ 5,519,600	\$ --
IMPACT CDE 75 LLC – CIP Note B	2,180,400	--
USBCDC SUB-CDE 231, LLC- USB Note A	2,932,287	--
USBCDC SUB-CDE 231, LLC- USB Note B	1,275,213	--
TMF SUB-CDE 38, LLC – TMF Note A	7,149,500	--
TMF SUB-CDE 38, LLC – TMF Note B	2,650,500	--
PARTNERSHIPS OF HOPE 38, LLC– RDF Note A	5,039,650	--
PARTNERSHIPS OF HOPE 38, LLC– RDF Note B	<u>1,820,350</u>	<u>--</u>
	28,567,500	--
Unamortized debt issuance costs	<u>(868,057)</u>	<u>(--)</u>
Notes Payable, net	<u>\$ 27,699,443</u>	<u>\$ --</u>

No interest expense was incurred for the year ending August 31, 2022. Debt issuance costs are fees incurred related to the issuance of the NMTC notes payable and are being amortized over the term of the debts. Amortization of these costs will begin on September 1, 2022. FASB ASU 2015-03 requires these costs to be presented as a direct deduction from the carrying value of the associated debt.

COASTAL BEND FOOD BANK  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE 11 – NEW MARKETS TAX CREDIT NOTES PAYABLE (Continued)

Future maturities of debt payments for all eight NMTC notes payable are as follows for the years ending August 31.

Year	Amount
2023	\$ --
2024	--
2025	--
2026	--
2027	--
Thereafter	<u>28,567,500</u>
	<u>\$ 28,567,500</u>

At the end of the seven-year compliance period in June 2029, US Bancorp Community Development Corporation (the Tax Credit Investor) can exercise its put option to sell its interest in the Twain Investment Fund 668, LLC for \$1,000 to the Food Bank. After exercising its option to purchase the interest in the Investment Fund, the Food Bank may cancel the New Markets Tax Credit notes payable.

NOTE 12 – NOTE PAYABLE – ED RACHAL FOUNDATION

Note payable consists of a note agreement entered into by Food Bank on May 5, 2022, for \$6,500,000 with the Ed Rachal Foundation for the financing of the Food Bank’s construction of improvements at their new facility. Payments on the loan are to commence on May 1, 2024, and bear no interest for the first two years. At the beginning of the third year and at the end of the fifth loan year thereafter, the interest rate will be adjusted to be a fixed rate equal to the Wall Street Journal Prime Rate minus one fourth (0.25) percent per annum. The Food Bank does have the option to make payments toward principal prior to the loan commencement date. Until the loan commencement date, no future scheduled maturities are known. The loan is unsecured.

NOTE 13 – IN-KIND CONTRIBUTION

The Food Bank currently operates out of the Krill Street location. This location was sold to the Ed Rachal Foundation (the Foundation) in May 2022 (see NOTE 10). The Foundation has agreed to let the Food Bank occupy and conduct its normal operations out of the Krill Street location without paying rent until the new facility opens. The Food Bank is only obligated to pay maintenance, repairs, and utilities it incurs while occupying the building. The Food Bank has estimated the fair value of rent for the year ending August 31, 2022, to be \$45,833. The value of this donation each has been included as an in-kind donation and as an expense in the statement of activities. The Food Bank also received a vehicle from Feeding America valued at \$38,388 which is recorded on the statement of activities for the year ending December 31, 2022.

COASTAL BEND FOOD BANK  
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For the Years Ended August 31, 2022 and 2021

NOTE 14 – PAYCHECK PROTECTION PROGRAM LOAN

On April 10, 2020, the Food Bank received a Payment Protection Program (PPP) loan 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 loan forgiveness on December 20, 2020, and on April 21, 2021, the total loan amount of \$369,400 was forgiven.

NOTE 15 – 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>2022</u>	<u>2021</u>
Capital campaign – new facility	\$ 7,052,881	\$ 3,750,524
Disaster relief	1,025,953	1,496,889
Mobile Pantries	353,379	586,484
USDA commodities for distribution	273,220	1,073,439
Kid’s backpack program	241,185	387,754
Endowment	136,000	136,000
FEMA commodities for distribution	128,119	412,029
Diabetes program	87,356	99,054
Food, freight, and storage	65,286	--
Asset purchases	49,824	22,521
Summer feeding program	39,853	604
Kid’s program	27,743	27,000
Healthy program	2,000	--
Kid’s table program	853	853
Culinary kits	--	15,159
	<hr/>	<hr/>
Total net assets with donor restrictions	<u>\$ 9,483,652</u>	<u>\$ 8,008,310</u>

COASTAL BEND FOOD BANK  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended August 31, 2022 and 2021

NOTE 15 – 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>2022</u>	<u>2021</u>
USDA commodities distributions	\$ 6,995,910	\$ 10,672,007
Disaster relief	792,346	997,985
Food, freight, and storage	340,556	50,000
FEMA commodities	283,910	24,254
Mobile Pantries	250,688	83,300
Neighborhood diabetes program	227,886	284,306
Backpack programs	204,486	71,065
Asset purchases	47,006	113,869
Culinary kits	26,659	8,841
Other restrictions	4,929	278,500
Summer feeding program	946	--
Disaster relief - TDEM	--	1,915,183
Capital campaign – new facility	--	1,108,273
Kid’s table program	--	15,228
Healthy program	--	3,500
Total net assets released from restriction	<u>\$ 9,175,322</u>	<u>\$ 15,626,311</u>

NOTE 16 – 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, 2022 and 2021, these commodities comprised approximately 29% and 48%, 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 66% and 87% of the assistance necessary to fund the administrative operations of the Food Bank for the years ending August 31, 2022 and 2021, respectively.

COASTAL BEND FOOD BANK  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended August 31, 2022 and 2021

NOTE 17 – 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 18 – LEASES

The Food Bank has non-cancelable right-of-use 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. The discount rate related to the Food Bank's right-of-use operating leases was 0.78. Total lease expense for 2022 and 2021 was approximately \$5,379 and \$8,369, respectively. Right-of-use operating leases are classified as other non-current assets and liabilities.

As of June 2022, the Food Bank holds a right-of-use finance lease for land and improvements at their new facility that is currently under construction located at 5442 Bear Lane. The weighted average discount rate related to the Food Bank's right-of-use finance lease was 0.2966. Right-of-use finance leases are classified as other non-current assets and liabilities. The finance lease will commence on September 1, 2023; therefore, no amounts have been paid on the agreement for the year ending August 31, 2022.

Lease liability maturities as of August 31, 2022, are as follows:

	Operating Leases	Finance Leases	Inputs (Level 3)
2023	\$ 5,376	\$ --	\$ 5,376
2024	5,376	200,000	205,376
2025	5,376	240,000	245,376
2026	1,570	240,000	241,570
2027	--	240,000	240,000
Thereafter	--	992,750	992,750
Total undiscounted liability	17,698	1,912,750	1,930,448
Less: Imputed interest	(220)	(26,643)	(26,863)
Total lease	<u>\$ 17,478</u>	<u>\$ 1,886,107</u>	<u>\$ 1,903,585</u>

The finance lease transaction is not recorded on the consolidated financial statements as this is a related party transaction with CBFB Holdings, Inc. that is eliminated in the consolidating process.

COASTAL BEND FOOD BANK  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended August 31, 2022 and 2021

NOTE 19 – 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.

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 is 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.



COASTAL BEND FOOD BANK  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended August 31, 2022 and 2021

NOTE 19 – FAIR VALUE MEASUREMENTS (Continued)

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, 2022 and 2021 are as follows:

	<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, 2022</u>				
Mutual Funds – Equities	\$ 2,340,492	\$ 2,340,492	\$ --	\$ --
Certificates of Deposit	557,865	557,865	--	--
Mutual Funds – Fixed income	129,716	129,716	--	--
Beneficial interest in assets held by the Coastal Bend Community Foundation	1,137,791	--	--	1,137,791
Total	<u>\$ 4,165,864</u>	<u>\$ 3,028,073</u>	<u>\$ --</u>	<u>\$ 1,137,791</u>
<u>August 31, 2021</u>				
Mutual Funds – Equities	\$ 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	1,226,620	--	--	1,226,620
Total	<u>\$ 19,163,580</u>	<u>\$ 17,936,960</u>	<u>\$ --</u>	<u>\$ 1,226,620</u>

COASTAL BEND FOOD BANK  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended August 31, 2022 and 2021

NOTE 19 – FAIR VALUE MEASUREMENTS (Continued)

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, 2022 and 2021.

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

	Beneficial interest in assets held by Coastal Bend Community Foundation	
	2022	2021
Balance at September 1,	\$ 1,226,620	\$ 957,682
Net investment performance	(88,829)	268,938
Distributions to the Food Bank	--	--
Balance at August 31,	\$ 1,137,791	\$ 1,226,620

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

NOTE 20 – 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 \$31,104 and \$28,375 for the years ending August 31, 2022 and 2021, respectively.

NOTE 21 – 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  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended August 31, 2022 and 2021

NOTE 22 – RELATED-PARTY TRANSACTIONS

The Coastal Bend Food Bank (lessee) and CBFB Holdings, Inc. (lessor) have executed a premises lease whereby the Coastal Bend Food Bank will lease the new facility from CBFB Holdings, Inc. as part of the New Markets Tax Credit program. The term of this lease shall commence on September 1, 2023, and shall end on December 1, 2047, or on the March 1, 2030, compliance period end (the seven-year compliance period in accordance with the NMTC agreement). Base rent of \$20,000 is payable on the first day of September 2023 and increases to \$60,000 per quarter, payable on the first day of each December, March, June, and September, through and including March 2029. Quarterly payments would increase to \$77,000 for June 1, 2029, then to \$86,000 for the September and December 2029 quarter with a final payment of \$323,750 due March 1, 2030. This transaction is eliminated in the consolidating financial statements that accompany this report.

A board member of the Food Bank is an employee of a supermarket chain to which the Food Bank paid \$2,925 for the year ending August 31, 2021. No amounts were paid for the year ending August 31, 2022.

COASTAL BEND FOOD BANK  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended August 31, 2022

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	\$ -	\$ 6,195,691	\$ 6,995,909
Texas Department of Agriculture					
Emergency Food Assistance Program (Administrative Costs)	10.568	04004	-	423,115	423,115
				6,618,806	7,419,024
Passed Through the:					
Texas Health and Human Services Commission (THHSC)					
Supplemental Nutrition Assistance Program					
Total passed-through THHSC	10.561	529-10-0011-00003E	-	183,004	183,004
				183,004	183,004
Passed Through the:					
Texas Food Bank Network:					
Food Stamp Outreach					
Total passed-through Texas Food Bank Network	N/A	529-16-0002-00002	-	78,520	78,520
				78,520	78,520
<b>Total U.S. Department of Agriculture</b>			-	6,880,330	7,680,548
<b><u>U.S. Department of Treasury</u></b>					
Passed Through the:					
Texas Department of Agriculture					
Food Bank Capacity Building Grant	21.027.119	GFB202219	-	2,842,613	2,842,613
Total passed-through Texas Department of Treasury				2,842,613	2,842,613
<b>Total U.S. Department of Treasury</b>				2,842,613	2,842,613
<b><u>U.S. Department of Housing and Urban Development</u></b>					
Passed Through the:					
Texas Department of Housing and Community Affairs					
Community Development Block Grant	14.228	074943319	-	58,428	58,428
Total passed-through Texas Department of Housing and Community Affairs				58,428	58,428
Passed Through the:					
Texas Department of Housing and Community Affairs					
Community Development Block Grant	14.228	8591	-	20,852	19,657
Passed Through the:					
Texas Department of Housing and Community Affairs					
Community Development Block Grant	14.228	8654	-	53,457	53,457
Total passed-through City of Corpus Christi				74,309	73,114
<b>Total U.S. Department of Housing and Urban Development</b>				132,737	131,542
<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	-	141,722	141,722
Total Passed-through United Way of America				141,722	141,722
<b>Total U.S. Department of Homeland Security</b>				141,722	141,722
<b>Total Federal Awards</b>				\$ 9,997,402	\$ 10,796,425

See accompanying Notes to Schedule of Expenditures of Federal Awards.

COASTAL BEND FOOD BANK  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended August 31, 2022

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, 2022. 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 consolidated 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, 2022, the Food Bank had \$273,220 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 consolidated financial statements of Coastal Bend Food Bank (the Food Bank), which comprise the consolidated statements of financial position as of August 31, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 15, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Food Bank's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated 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 consolidated 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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**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Food Bank's consolidated 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.*

February 15, 2023  
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**

***Opinion on Each Major Federal Program***

We have audited Coastal Bend Food Bank's (the Food Bank) compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

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, 2022.

***Basis for Opinion on Each Major Federal Program***

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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Food Bank and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Food Bank's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Food Bank's federal programs.



***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Food Bank's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Food Bank's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Food Bank's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Food Bank's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Food Bank's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on 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 a 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.

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*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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.*

February 15, 2023  
Corpus Christi, Texas

COASTAL BEND FOOD BANK  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended August 31, 2022

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 516(a)? No

Identification of major programs:

<u>CFDA #</u>	<u>Federal Program Title</u>
10.569	<b>The Food Distribution Cluster -</b> Texas Department of Agriculture Emergency Food Assistance Program (Food Commodities)
10.568	Texas Department of Agriculture Emergency Food Assistance Program (Administrative Costs)
21.027 (.119)	Texas Department of Agriculture Food Bank Capacity Building Grant

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, 2022

A        PRIOR YEAR FINDINGS - FINANCIAL STATEMENT AUDIT

None

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

None

COASTAL BEND FOOD BANK  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
August 31, 2022

<u>ASSETS</u>	Coastal Bend Food Bank	CBFB Holdings Inc.	Coastal Bend Food Bank and CBFB Holdings Inc.	Eliminations	Consolidated Coastal Bend Food Bank and CBFB Holdings Inc.
<b>Current Assets</b>					
Cash and cash equivalents	\$ 197,820	\$ 27,509,031	\$ 27,706,851	\$ -	\$ 27,706,851
Cash and cash equivalents - reserved accounts	-	1,271,467	1,271,467	-	1,271,467
Investments	3,028,073	-	3,028,073	-	3,028,073
Accounts receivable - government grants and contracts	356,959	-	356,959	-	356,959
Accounts receivable - agencies	50,430	-	50,430	-	50,430
Donated food inventory, net of food waste	577,372	-	577,372	-	577,372
Purchased food inventory	217,677	-	217,677	-	217,677
Pledges receivable for capital campaign - current	700,000	-	700,000	-	700,000
Investment in CBFB Holdings, Inc. - transfer of CIP costs	4,843,258	-	4,843,258	(4,843,258)	-
Investment in CBFB Holdings, Inc. - initial capitalization	3,746,336	-	3,746,336	(3,746,336)	-
Other assets	50	-	50	-	50
Total Current Assets	<u>13,717,975</u>	<u>28,780,498</u>	<u>42,498,473</u>	<u>(8,589,594)</u>	<u>33,908,879</u>
Pledges receivable for capital campaign, net of current portion	598,742	-	598,742	-	598,742
Lease receivable, net of current portion	-	1,886,107	1,886,107	(1,886,107)	-
Notes receivable - Twain Investment Fund 668, LLC	20,641,037	-	20,641,037	-	20,641,037
Beneficial interest in assets held by					
Coastal Bend Community Foundation	1,137,791	-	1,137,791	-	1,137,791
Property and equipment, net					
of accumulated depreciation	934,059	2,665,181	3,599,240	-	3,599,240
Property and equipment - 5442 Bear Lane (transfer from Food Bank)	-	4,843,258	4,843,258	-	4,843,258
Operating lease right-of-use assets	17,478	-	17,478	-	17,478
Finance lease right of use assets, net	<u>1,886,107</u>	<u>(1,886,107)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 38,933,189</u>	<u>\$ 36,288,937</u>	<u>\$ 75,222,126</u>	<u>\$ (10,475,701)</u>	<u>\$ 64,746,425</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>					
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ 62,484	\$ -	\$ 62,484	\$ -	\$ 62,484
Deferred revenue	23,744	-	23,744	-	23,744
Operating lease obligations due within one year	5,262	-	5,262	-	5,262
New Markets Tax Credit notes payable, current portion	-	326,524	326,524	-	326,524
Total Current Liabilities	<u>91,490</u>	<u>326,524</u>	<u>418,014</u>	<u>-</u>	<u>418,014</u>
Notes payable, net of current portion	6,500,000	-	6,500,000	-	6,500,000
New Markets Tax Credit notes payable, net of unamortized debt issuance costs and current portion	-	27,372,919	27,372,919	-	27,372,919
Long-term operating lease obligations	12,216	-	12,216	-	12,216
Long-term finance lease obligations	<u>1,886,107</u>	<u>-</u>	<u>1,886,107</u>	<u>(1,886,107)</u>	<u>-</u>
Total Liabilities	<u>8,489,813</u>	<u>27,699,443</u>	<u>36,189,256</u>	<u>(1,886,107)</u>	<u>34,303,149</u>
<b>Net Assets</b>					
Without donor restrictions	20,959,624	-	20,959,624	-	20,959,624
Capital contributions - CBFB into CBFB Holdings, Inc.	-	8,589,594	8,589,594	(8,589,594)	-
With donor restrictions	<u>9,483,752</u>	<u>(100)</u>	<u>9,483,652</u>	<u>-</u>	<u>9,483,652</u>
Total Net Assets	<u>30,443,376</u>	<u>8,589,494</u>	<u>39,032,870</u>	<u>(8,589,594)</u>	<u>30,443,276</u>
Total Liabilities and Net Assets	<u>\$ 38,933,189</u>	<u>\$ 36,288,937</u>	<u>\$ 75,222,126</u>	<u>\$ (10,475,701)</u>	<u>\$ 64,746,425</u>

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

COASTAL BEND FOOD BANK  
CONSOLIDATING STATEMENT OF ACTIVITIES  
For the Year Ended August 31, 2022

	<u>Coastal Bend Food Bank</u>					
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>CBFB Holdings Inc.</u>	<u>Coastal Bend Food Bank and CBFB Holdings Inc.</u>	<u>Eliminations</u>	<u>Consolidated Coastal Bend Food Bank and CBFB Holdings Inc.</u>
Revenues, gains and other support:						
Grants - Federal and State:						
USDA commodities	\$ -	\$ 6,195,691	\$ -	\$ 6,195,691	\$ -	\$ 6,195,691
USDA administrative cost reimbursement	423,115	-	-	423,115	-	423,115
Neighborhood diabetes program	-	216,188	-	216,188	-	216,188
USDA nutrition education	183,004	-	-	183,004	-	183,004
Emergency management assistance	-	141,722	-	141,722	-	141,722
Produce	-	136,620	-	136,620	-	136,620
TFBN Outreach reimbursement	78,520	-	-	78,520	-	78,520
TDHCA grant	-	58,428	-	58,428	-	58,428
Mobile pantry income	-	17,583	-	17,583	-	17,583
Total Federal and State grants	<u>684,639</u>	<u>6,766,232</u>	<u>-</u>	<u>7,450,871</u>	<u>-</u>	<u>7,450,871</u>
Value of donated food inventory, net of food scrapped of \$356,222	13,493,309	-	-	13,493,309	-	13,493,309
Donations and private grants	1,853,871	3,621,550	-	5,475,421	-	5,475,421
In-kind donation - food truck	38,388	-	-	38,388	-	38,388
Gain on sale of land and building - Krill Street	1,713,932	-	-	1,713,932	-	1,713,932
Handling fees	642,050	-	-	642,050	-	642,050
Realized gains on sales of investments	487,942	-	-	487,942	-	487,942
Special events, net of expenses of \$6,505	266,071	-	-	266,071	-	266,071
Disaster relief	-	262,982	-	262,982	-	262,982
Dividend and interest income	251,268	-	-	251,268	-	251,268
In-kind donation - rent	45,833	-	-	45,833	-	45,833
Other income	15,387	-	-	15,387	-	15,387
Change in value of amount held with Coastal Bend Community Foundation	(130,243)	-	-	(130,243)	-	(130,243)
Unrealized loss on investments	(1,250,889)	-	-	(1,250,889)	-	(1,250,889)
Net assets released from restrictions	<u>9,175,322</u>	<u>(9,175,322)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>27,286,880</u>	<u>1,475,442</u>	<u>-</u>	<u>28,762,322</u>	<u>-</u>	<u>28,762,322</u>
Expenses:						
Program expenses	25,519,370	-	-	25,519,370	-	25,519,370
Supporting services:						
Administrative	641,398	-	100	641,498	-	641,498
Fundraising	130,730	-	-	130,730	-	130,730
Total expenses	<u>26,291,498</u>	<u>-</u>	<u>100</u>	<u>26,291,598</u>	<u>-</u>	<u>26,291,598</u>
Increase in Net Assets	995,382	1,475,442	(100)	2,470,724	-	2,470,724
Net Assets, August 31, 2021	<u>19,964,242</u>	<u>8,008,310</u>	<u>-</u>	<u>27,972,552</u>	<u>-</u>	<u>27,972,552</u>
Net Assets, August 31, 2022	<u>\$ 20,959,624</u>	<u>\$ 9,483,752</u>	<u>\$ (100)</u>	<u>\$ 30,443,276</u>	<u>\$ -</u>	<u>\$ 30,443,276</u>

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