

COASTAL BEND FOOD BANK
CONSOLIDATED FINANCIAL STATEMENTS AND
OTHER SUPPLEMENTAL INFORMATION
August 31, 2024 and 2023

COASTAL BEND FOOD BANK
TABLE OF CONTENTS
August 31, 2024 and 2023

	<u>Pages</u>
INDEPENDENT AUDITOR’S REPORT	1 – 3
 CONSOLIDATED FINANCIAL STATEMENTS:	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities	5 – 6
Consolidated Statements of Functional Expenses	7 – 8
Consolidated Statements of Cash Flows	9
Notes to the Consolidated Financial Statements	10 – 32
 SUPPLEMENTARY INFORMATION:	
Schedule of Expenditures of Federal Awards	33
Notes to the Schedule of Expenditures of Federal Awards	34
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	35 – 36
Independent Auditor’s Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	37 – 39
Schedule of Findings and Questioned Costs	40
Schedule of Prior Year Findings and Questioned Costs	41
Consolidating Statements of Financial Position	42 – 43
Consolidating Statements of Activities	44 – 45

GF Valdez, P.C.

A Public Accounting Firm

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
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, 2024 and 2023, 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, 2024 and 2023, 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 statements of financial position and consolidating statement of activities on pages 42 – 45 are presented for the purposes of additional analysis and are not a required part of the basic consolidated financial statements.

GF Valdez, P.C.

A Public Accounting Firm

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

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 January 17, 2025, 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.

Corpus Christi, Texas
January 17, 2025

COASTAL BEND FOOD BANK
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
August 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 1,326,109	\$ 9,884,663
Investments	9,813,550	6,197,260
Accounts receivable - government grants and contracts	280,792	757,537
Accounts receivable - agencies	45,414	48,949
Donated food inventory, net of food waste	1,912,179	933,638
Purchased food inventory	308,190	274,792
Pledges receivable for capital campaign - current	200,000	200,000
Total Current Assets	<u>13,886,234</u>	<u>18,296,839</u>
Pledges receivable for capital campaign, net of current portion	242,356	399,022
Note receivable - Twain Investment Fund 668, LLC	20,641,037	20,641,037
Beneficial interest in assets held by		
Coastal Bend Community Foundation	751,209	666,472
Property and equipment, net of accumulated depreciation	29,928,584	21,998,348
Property and equipment transferred to CBFB Holdings, Inc.	4,843,258	4,843,258
Operating lease right-of-use assets	33,002	12,216
Total Assets	<u>\$ 70,325,680</u>	<u>\$ 66,857,192</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Current Liabilities		
Accounts payable	\$ 122,681	\$ 7,837
Deferred revenue	122,624	230,025
Operating lease obligations due within one year	10,723	5,303
Total Current Liabilities	<u>256,028</u>	<u>243,165</u>
Note payable, Ed Rachal Foundation	6,500,000	6,500,000
New Markets Tax Credit notes payable, net of unamortized debt issuance costs and current portion	27,750,504	27,724,974
Long-term operating lease obligations	22,279	6,913
Total Liabilities	<u>34,528,811</u>	<u>34,475,052</u>
Net Assets		
Without donor restrictions	31,937,543	21,927,002
With donor restrictions	3,859,326	10,455,138
Total Net Assets	<u>35,796,869</u>	<u>32,382,140</u>
Total Liabilities and Net Assets	<u>\$ 70,325,680</u>	<u>\$ 66,857,192</u>

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, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Grants - Federal and State:			
USDA commodities	\$ -	\$ 10,047,298	\$ 10,047,298
Feeding America grant	-	600,369	600,369
USDA administrative cost reimbursement	550,035	-	550,035
Neighborhood diabetes program	-	447,149	447,149
USDA nutrition education	187,947	-	187,947
TFBN Outreach reimbursement	94,467	-	94,467
Produce	-	89,439	89,439
Mobile pantry income	-	72,905	72,905
Texas Department of Agriculture - LFPA grant	-	18,750	18,750
Emergency management assistance	-	11,729	11,729
Total Federal and State grants	832,449	11,287,639	12,120,088
Value of donated food inventory, net of food scrapped of \$207,647	14,263,864	-	14,263,864
Donations and private grants	3,223,204	2,226,410	5,449,614
Change in value of amount held with Coastal Bend Community Foundation	812,657	-	812,657
Shared maintenance fees income	613,542	-	613,542
Special events, net of expenses of \$52,967	444,199	-	444,199
Dividend and interest income	429,133	-	429,133
Unrealized gains on investments	225,813	-	225,813
Interest income - Twain Investments	206,410	-	206,410
In-kind donation - rent (Ed Rachal Foundation)	114,583	-	114,583
Other income	32,640	-	32,640
Realized losses on sales of investments	(803,925)	-	(803,925)
Net assets released from restrictions	20,109,861	(20,109,861)	-
Total revenues, gains and other support	40,504,430	(6,595,812)	33,908,618
Expenses:			
Program expenses	29,538,515	-	29,538,515
Supporting services:			
Administrative	769,237	-	769,237
Fundraising	186,137	-	186,137
Total expenses	30,493,889	-	30,493,889
Increase in Net Assets	10,010,541	(6,595,812)	3,414,729
Net Assets, August 31, 2023	21,927,002	10,455,138	32,382,140
Net Assets, August 31, 2024	\$ 31,937,543	\$ 3,859,326	\$ 35,796,869

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, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains and other support:			
Grants - Federal and State:			
USDA commodities	\$ -	\$ 5,246,319	\$ 5,246,319
Texas Department of Agriculture - LFPA grant	-	2,200,613	2,200,613
Feeding America grant	-	425,322	425,322
USDA administrative cost reimbursement	379,061	-	379,061
Neighborhood diabetes program	-	248,851	248,851
Mobile pantry income	-	216,902	216,902
USDA nutrition education reimbursement	199,473	-	199,473
Produce	-	140,000	140,000
TFBN Outreach reimbursement	95,562	-	95,562
Emergency management assistance	-	30,065	30,065
Total Federal and State grants	<u>674,096</u>	<u>8,508,072</u>	<u>9,182,168</u>
Value of donated food inventory, net of			
food scrapped of \$157,565	15,047,082	-	15,047,082
Donations and private grants	1,881,642	2,671,115	4,552,757
Shared maintenance fees income	804,641	-	804,641
In-kind donation - rent (Ed Rachal Foundation)	275,000	-	275,000
Special events, net of expenses of \$10,909	254,593	-	254,593
Interest income - Twain Investments	193,223	-	193,223
Disaster relief	-	126,658	126,658
Dividend and interest income	121,916	-	121,916
Unrealized gain on investments	103,545	-	103,545
Change in value of amount held with			
Coastal Bend Community Foundation	103,021	-	103,021
Realized gain on sales of investments	39,672	-	39,672
Other income	20,208	-	20,208
Net assets released from restrictions	<u>9,095,965</u>	<u>(9,095,965)</u>	<u>-</u>
Total revenues, gains and other support	<u>28,614,604</u>	<u>2,209,880</u>	<u>30,824,484</u>
Expenses:			
Program expenses	26,768,111	1,238,394	28,006,505
Supporting services:			
Administrative	709,129	-	709,129
Fundraising	<u>169,986</u>	<u>-</u>	<u>169,986</u>
Total expenses	<u>27,647,226</u>	<u>1,238,394</u>	<u>28,885,620</u>
Increase in Net Assets	967,378	971,486	1,938,864
Net Assets, August 31, 2022	<u>20,959,624</u>	<u>9,483,652</u>	<u>30,443,276</u>
Net Assets, August 31, 2023	<u>\$ 21,927,002</u>	<u>\$ 10,455,138</u>	<u>\$ 32,382,140</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, 2024

	Coastal Bend Food Bank				CBFB Holdings Inc.		
	Supporting Services						
	Program Services	Administrative	Fundraising	Total Supporting Services	Total Coastal Bend Food Bank Expenses	Program Services	Total Expenses
Food distributed	\$ 23,302,053	\$ -	\$ -	\$ -	\$ 23,302,053	\$ -	\$23,302,053
Salaries and wages	971,046	476,619	-	476,619	1,447,665	-	1,447,665
Grant expense	821,811	-	-	-	821,811	-	821,811
Depreciation expense	215,468	30,781	-	30,781	246,249	548,988	795,237
Purchased food expense	704,010	-	-	-	704,010	-	704,010
Insurance	348,167	171,485	-	171,485	519,652	-	519,652
Outreach expenses	411,341	-	-	-	411,341	-	411,341
Interest	-	-	-	-	-	348,809	348,809
Mobile pantry expenses	297,564	-	-	-	297,564	-	297,564
Utilities	218,543	31,221	-	31,221	249,764	-	249,764
Repairs and maintenance	247,410	-	-	-	247,410	-	247,410
Senior project expense	239,342	-	-	-	239,342	-	239,342
Nutrition education expenses	187,947	-	-	-	187,947	-	187,947
Fundraising expense	-	-	182,538	182,538	182,538	-	182,538
In-kind rent (Ed Rachal Foundation)	114,583	-	-	-	114,583	-	114,583
Payroll tax expense	73,352	36,128	-	36,128	109,480	-	109,480
Truck and van expense	97,135	-	-	-	97,135	-	97,135
Campaign-Building	65,654	-	-	-	65,654	-	65,654
Office expense	45,563	16,197	3,599	19,796	65,359	-	65,359
Warehouse expenses	59,392	-	-	-	59,392	-	59,392
Membership fees	52,086	-	-	-	52,086	-	52,086
Culinary kits expense	42,543	-	-	-	42,543	-	42,543
Bank, card and loan fees	7,085	3,489	-	3,489	10,574	26,111	36,685
Professional fees	13,000	-	-	-	13,000	21,977	34,977
Amortization of debt issuance costs	-	-	-	-	-	25,530	25,530
Storage	24,024	-	-	-	24,024	-	24,024
Travel expenses	3,316	3,317	-	3,317	6,633	-	6,633
Postage	3,001	-	-	-	3,001	-	3,001
Summer feeding expense	1,664	-	-	-	1,664	-	1,664
	<u>\$ 28,567,100</u>	<u>\$ 769,237</u>	<u>\$ 186,137</u>	<u>\$ 955,374</u>	<u>\$ 29,522,474</u>	<u>\$ 971,415</u>	<u>\$30,493,889</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, 2023

	Coastal Bend Food Bank				CBFB Holdings Inc.		
	Supporting Services				Supporting Services		
	Program Services	Administrative	Fundraising	Total Supporting Services	Total Coastal Bend Food Bank Expenses	Program Services	Total Expenses
Food distributed	\$ 19,933,722	\$ -	\$ -	\$ -	\$ 19,933,722	\$ -	\$ 19,933,722
Other project expenses	2,192,478	-	-	-	2,192,478	-	2,192,478
Salaries and wages	1,017,155	500,987	-	500,987	1,518,142	-	1,518,142
Purchased food expense	1,315,386	-	-	-	1,315,386	-	1,315,386
Outreach expenses	367,659	-	-	-	367,659	-	367,659
Insurance	233,626	115,069	-	115,069	348,695	-	348,695
Interest	-	-	-	-	-	310,899	310,899
In-kind rent (Ed Rachal Foundation)	275,000	-	-	-	275,000	-	275,000
Repairs and maintenance	245,166	-	-	-	245,166	-	245,166
Nutrition education expenses	224,846	-	-	-	224,846	-	224,846
Mobile pantry expenses	213,858	-	-	-	213,858	-	213,858
Fundraising	-	-	167,285	167,285	167,285	-	167,285
Utilities	142,022	18,163	-	18,163	160,185	-	160,185
Senior project expense	128,592	-	-	-	128,592	-	128,592
Payroll tax expense	79,001	38,911	-	38,911	117,912	-	117,912
Depreciation expense	100,719	14,388	-	14,388	115,107	-	115,107
Truck and van expenses	97,437	-	-	-	97,437	-	97,437
Warehouse expenses	51,726	-	-	-	51,726	-	51,726
Bank and card fees	5,911	2,911	-	2,911	8,822	37,312	46,134
Professional fees	26,000	-	-	-	26,000	15,625	41,625
Campaign-Building	28,220	-	-	-	28,220	-	28,220
Office expense	12,154	12,154	2,701	14,855	27,009	-	27,009
Amortization of debt issuance costs	-	-	-	-	-	25,530	25,530
Membership fees	24,851	-	-	-	24,851	-	24,851
Culinary kits expense	22,112	-	-	-	22,112	-	22,112
Storage	18,967	-	-	-	18,967	-	18,967
Travel expenses	6,546	6,546	-	6,546	13,092	-	13,092
Postage	3,144	-	-	-	3,144	-	3,144
Summer feeding program	1,813	-	-	-	1,813	-	1,813
	<u>\$ 26,768,111</u>	<u>\$ 709,129</u>	<u>\$ 169,986</u>	<u>\$ 879,115</u>	<u>\$ 27,647,226</u>	<u>\$ 389,366</u>	<u>\$ 28,036,592</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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Increase in net assets	\$ 3,414,729	\$ 1,938,864
Adjustments to reconcile net assets to net cash provided by operating activities		
Depreciation	795,237	115,107
Amortization of debt issuance costs	25,530	25,531
Unrealized (gain) loss on investments	(225,813)	(103,545)
Realized losses (gains) on sales of investments	803,925	(39,672)
In-kind contribution of food and non-food items	(22,251,783)	(16,837,356)
Distributions of in-kind food and non-food items	21,273,242	16,481,090
(Increase) decrease in beneficial interest held at Coastal Bend Community Foundation	(84,737)	471,319
Decrease (increase) in:		
Accounts receivable	480,280	(399,097)
Pledges receivable	156,666	699,720
Purchased inventory	(33,398)	(57,115)
Other assets	-	50
Increase (decrease) in:		
Accounts payable	114,844	(54,647)
Deferred revenue	(107,401)	206,281
Net cash provided by operating activities	<u>4,361,321</u>	<u>2,446,530</u>
Cash flows from investing activities:		
Purchases of investments	(23,721,911)	(11,446,669)
Redemption of investments	19,527,509	8,420,699
Purchases of property and equipment	<u>(8,725,473)</u>	<u>(18,514,215)</u>
Net cash used in investing activities	<u>(12,919,875)</u>	<u>(21,540,185)</u>
Cash flows from financing activities:		
Lease right-of-use asset	(20,786)	5,262
Right of use obligation	<u>20,786</u>	<u>(5,262)</u>
Net cash provided by (used in) financing activities	<u>-</u>	<u>-</u>
Net change in cash	(8,558,554)	(19,093,655)
Cash at beginning of year	<u>9,884,663</u>	<u>28,978,318</u>
Cash at end of year	<u>\$ 1,326,109</u>	<u>\$ 9,884,663</u>
SUPPLEMENTAL DISCLOSURE		
Cash paid for:		
Interest	\$ 348,809	\$ 310,899

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, 2024 and 2023

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 \$4,525,907 and \$5,464,182 (13% and 18% of revenues), for the years ended August 31, 2024 and 2023, 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, 2024 and 2023

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.

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. for the years ending August 31, 2024, and 2023. All significant inter-organization transactions have been eliminated in the consolidated financial statements for the years ending August 31, 2024 and 2023. The consolidated entity is referred to as the Food Bank.

Basis of Consolidated Financial Statement 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.

COASTAL BEND FOOD BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended August 31, 2024 and 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and that 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.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Use of 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 in its cash accounts.

Restricted Cash

Restricted cash represents cash restricted by the New Markets Tax Credit Program related to the Notes Payable (See NOTE 11). Amounts required to meet current liabilities of the Food Bank have been reclassified to current assets in the accompanying consolidated statements to of financial position at August 31, 2024 and 2023.

COASTAL BEND FOOD BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended August 31, 2024 and 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable represent amounts due from agencies and are stated at the amount the Food Bank expects to collect for shared maintenance fees. Accounts receivable from agencies are due 30 days after the issuance of the invoice. Accounts past-due more than 120 days are considered delinquent. Delinquent receivable are pursued based on specific circumstances of the agency. As of August 31, 2024 and 2023, management estimates that no reserve for losses on receivables is required.

Grants Receivable

Grants receivable consists primarily of amounts due from government agencies and represent amounts due to the Food Bank in accordance with cost-reimbursement contracts. These receivables are considered fully collectible and therefore, the Food Bank does not consider an allowance necessary as of August 31, 2024 and 2023.

Notes Receivable

Notes receivable are reported at their outstanding principal balance. Notes receivable are considered to be fully collectible, and accordingly, no allowance for doubtful accounts has been provided. In making determination, management evaluated the financial condition of the borrower, the estimated value of the underlying collateral, and current economic conditions. Interest on notes receivable is recognized over the term of the notes receivable and is calculated using the simple-interest method on principal amounts outstanding.

Investments and Net Investment Returns

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, 2024 and 2023, 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, 2024 and 2023

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 and Food Pricing

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 \$1.93 and \$1.92 per pound for the years ended August 31, 2024 and 2023, 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, 2024 and 2023 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 are 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.

COASTAL BEND FOOD BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended August 31, 2024 and 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-lived Asset Impairment

The Food Bank evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value, and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ending August 30, 2024 and 2023.

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 are provided to the Food Bank either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restrictions</i>	
<ul style="list-style-type: none"> • Gifts that depend on the Food Bank overcoming a donor-imposed barrier to be entitled to the funds 	<ul style="list-style-type: none"> • Not recognized until the gift becomes unconditional, i.e., the donor-imposed barrier is met
<i>Unconditional gifts, with or without restrictions</i>	
<ul style="list-style-type: none"> • Received at the date of gift – cash and other assets • Received at the date of gift – property, equipment, and long-lived assets • Expected to be collected within one year • Collect in future years 	<ul style="list-style-type: none"> • Fair Value • Estimated fair value • Net realizable value • Initially reported at fair value determined using the discounted present value of estimated future cash flows technique.

COASTAL BEND FOOD BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended August 31, 2024 and 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method. When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction. Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received, and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

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 25,524 hours of services from 9,218 volunteers for the year ending August 31, 2024. The Food Bank received 36,236 hours of services from 12,663 volunteers for the year ending August 31, 2023.

Reclassifications

Certain amounts in the prior year financial statements, none having an effect on net income, have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

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, 2024 and 2023.

Debt Issuance Costs

Debt issuance costs represent costs incurred in connection with the issuance of the New Markets Tax Credit Program Notes Payable (See NOTE 11). Such costs are being amortized over the life of the Notes Payable using the effective interest method.

Support and Revenue Recognition

The Food Bank follows ASU 606, Revenue from Contracts with Customers, 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 ASU 606 as it applies to the Food Bank, customers and responsible parties include partner agencies and the lessee/lessor arrangement between the Food Bank.

COASTAL BEND FOOD BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended August 31, 2024 and 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Expenses are charged to program and supporting services based on direct expenditures incurred. Any expenditures not directly chargeable to a program is allocated to program and supporting service by percentages based on management's estimates related to employee counts in the Food Bank's different departments.

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 has 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, 2021, 2022, and 2023 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 January 17, 2025, the date the consolidated financial statements were available to be issued.

COASTAL BEND FOOD BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended August 31, 2024 and 2023

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 \$11,432,938, of which \$11,118,392 has been expended as of August 31, 2024. 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 the Fund for the years ended August 31, 2024 and 2023. 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, 2024 and 2023

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

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.

COASTAL BEND FOOD BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended August 31, 2024 and 2023

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, 2024 and 2023. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	<u>2024</u>	<u>2023</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,326,109	\$ 9,884,663
Investments	9,813,550	6,197,260
Pledge receivables, current portion	200,000	200,000
Accounts receivable	<u>326,206</u>	<u>806,486</u>
Total financial assets at year-end	11,665,865	17,088,409
Less those unavailable for general expenditures within one year, due to:		
CBFB Holdings cash & equivalents	(1,218,824)	(9,547,817)
Investments	--	(6,197,260)
Pledge receivables, current portion	(200,000)	(200,000)
Donor-restricted to maintain as an endowment	<u>(136,000)</u>	<u>(136,000)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 10,111,041</u>	<u>\$ 1,007,332</u>

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 \$3,859,326. 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, 2024 and 2023

NOTE 6 – INVESTMENTS

Investments consisted of the following as of August 31, 2024 and 2023, respectively.

	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
<u>August 31, 2024</u>				
Mutual Funds – Fixed Income	\$ 5,214,997	\$ 80,266	\$ --	\$ 5,295,263
Certificates of Deposit	2,458,537	--	--	2,458,537
Mutual Funds – Equities	<u>1,843,366</u>	<u>216,384</u>	<u>--</u>	<u>2,059,750</u>
	<u>\$ 9,516,900</u>	<u>\$ 296,650</u>	<u>\$ --</u>	<u>\$ 9,813,550</u>
 <u>August 31, 2023</u>				
Mutual Funds – Equities	\$ 2,049,242	\$ 58,064	\$ --	\$ 2,107,306
Certificates of Deposit	1,875,814	--	--	1,875,814
Mutual Funds – Fixed Income	<u>2,201,368</u>	<u>13,126</u>	<u>354</u>	<u>2,214,140</u>
	<u>\$ 6,126,424</u>	<u>\$ 71,190</u>	<u>\$ 354</u>	<u>\$ 6,197,260</u>

Net interest and dividend income for the years ending August 31, 2024 and 2023 was \$429,133 and \$251,268, respectively. Net unrealized gains of \$225,813 and 103,545 were recorded on the books of the Food Bank for the years ending August 31, 2024 and 2023, respectively. Net realized (losses) gains totaled (\$803,925) and \$39,672 for the years ending August 31, 2024 and 2023, respectively. Total investment return was (\$148,979) and \$265,133 for the years ending August 31, 2024 and 2023, 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, 2024 and 2023

NOTE 7 – INVENTORY (Continued)

The total value of contributed food for the years ended August 31, 2024 and 2023 is as follows:

	2024		2023	
	Pounds	Dollars	Pounds	Dollars
Donated inventory:				
Donated inventory	201,940	\$ 389,744	106,914	\$ 205,275
USDA commodities – donor restricted	761,485	1,469,666	343,686	659,877
FEMA commodities – donor restricted	24,960	43,430	39,360	68,486
Produce inventory	4,839	9,339	--	--
Total donated inventory	<u>993,224</u>	<u>\$1,912,179</u>	<u>489,960</u>	<u>\$ 933,638</u>
Purchased food inventory:				
Purchased inventory	<u>290,763</u>	<u>\$ 308,190</u>	<u>158,265</u>	<u>\$ 274,792</u>
Total inventory	<u>1,283,987</u>	<u>\$2,220,369</u>	<u>648,225</u>	<u>\$ 1,208,430</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 adjusted 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:

	2024	2023
Total pledges receivable	\$ 443,334	\$ 600,000
Less: Allowance for uncollectable pledges	(--)	(--)
Less: Discount to present value	(978)	(978)
Pledges receivable, net	<u>\$ 442,356</u>	<u>\$ 599,022</u>

Pledges receivable at August 31, 2024, are scheduled to be collected as follows:

Receivable in one year	\$ 243,334
Receivable in one to five years	<u>200,000</u>
	443,334
Less: discount to net present value	(978)
Pledges receivable, net	<u>\$ 442,356</u>

As of August 31, 2024, 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, 2024 and 2023

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:

<u>Year</u>	<u>Amount</u>
2025	\$ --
2026	--
2027	--
2028	--
2029	--
Thereafter	20,461,037
	<u>\$ 20,461,037</u>

COASTAL BEND FOOD BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended August 31, 2024 and 2023

NOTE 10 – PROPERTY AND EQUIPMENT

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

	2024	2023
Building	\$ 32,115,803	\$ --
Construction-in-progress	--	24,504,462
Land	1,026,295	1,026,295
Vehicles	1,513,934	1,232,115
Furniture and equipment	2,087,719	611,637
Assets held for later use	--	643,769
	36,743,751	28,018,278
Less: Accumulated depreciation	(1,971,909)	(1,176,672)
Property and equipment, net	<u>\$ 34,771,842</u>	<u>\$ 26,841,606</u>

Depreciation expense for the years ended August 31, 2024 and 2023 totaled \$795,237 and \$115,107, 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.

NOTE 11 – NEW MARKETS TAX CREDIT NOTES PAYABLE

In connection with New Markets Tax Credit Program, CBFB 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.

COASTAL BEND FOOD BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended August 31, 2024 and 2023

NOTE 11 – NEW MARKETS TAX CREDIT NOTES PAYABLE (Continued)

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>2024</u>	<u>2023</u>
IMPACT CDE 75 LLC – CIP Note A	\$ 5,519,600	\$ 5,519,600
IMPACT CDE 75 LLC – CIP Note B	2,180,400	2,180,400
USBCDC SUB-CDE 231, LLC- USB Note A	2,932,287	2,932,287
USBCDC SUB-CDE 231, LLC- USB Note B	1,275,213	1,275,213
TMF SUB-CDE 38, LLC – TMF Note A	7,149,500	7,149,500
TMF SUB-CDE 38, LLC – TMF Note B	2,650,500	2,650,500
PARTNERSHIPS OF HOPE 38, LLC– RDF Note A	5,039,650	5,039,650
PARTNERSHIPS OF HOPE 38, LLC– RDF Note B	<u>1,820,350</u>	<u>1,820,350</u>
	28,567,500	28,567,500
Unamortized debt issuance costs	<u>(816,995)</u>	<u>(842,526)</u>
Notes Payable, net	<u>\$ 27,750,505</u>	<u>\$ 27,724,974</u>

Interest expense for the years ending August 31, 2024 and 2023 amounted to \$348,809 and \$310,899, respectively. 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. FASB ASU 2015-03 requires these costs to be presented as a direct deduction from the carrying value of the associated debt. Amortization of these costs totaled \$25,531 for the years ending August 31, 2024 and 2023.

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

<u>Year</u>	<u>Amount</u>
2025	\$ --
2026	--
2027	--
2028	--
2029	--
Thereafter	<u>28,567,500</u>
	<u>\$ 28,567,500</u>

COASTAL BEND FOOD BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended August 31, 2024 and 2023

NOTE 11 – NEW MARKETS TAX CREDIT NOTES PAYABLE (Continued)

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 the 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 were 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.

Effective April 4, 2024, the Food Bank entered into a modification and amendment to the above-mentioned promissory note, which would adjust the date interest begins to accrue to November 1, 2024 instead of May 1, 2024. The second amendment is to provide that periodic adjustments of the rate of interest shall begin on November 1, 2024 instead of May 1, 2024, and also on November 1st of each fifth year thereafter, prior to maturity. The note was further amended to provide that the 20-year amortization period shall begin on November 1, 2024 instead of June 1, 2024. See NOTE 21 regarding payments due for the fiscal year August 31, 2025.

NOTE 13 – IN-KIND CONTRIBUTION

The Food Bank operated out of the Krill Street location until January of 2024. 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 years ending August 31, 2024 and 2023, to be \$114,583 and \$275,000, respectively. The value of this donation each has been included as an in-kind donation and as an expense in the statement of activities.

COASTAL BEND FOOD BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended August 31, 2024 and 2023

NOTE 14 – 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>2024</u>	<u>2023</u>
USDA commodities for distribution	\$ 1,469,666	\$ 659,877
Disaster relief	1,089,906	1,089,906
Capital campaign – new facility	314,546	8,017,183
Agencies	274,511	--
Diabetes program	194,385	64,110
Endowment	136,000	136,000
Mobile Pantries	133,043	356,423
Furniture and equipment purchases	92,632	--
Other restrictions	62,255	216
FEMA commodities for distribution	43,430	68,486
Summer feeding program	42,863	42,080
Culinary kits	6,089	12,632
Kid's backpack program	<u>--</u>	<u>8,225</u>
Total net assets with donor restrictions	<u>\$ 3,859,326</u>	<u>\$ 10,455,138</u>

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>2024</u>	<u>2023</u>
Capital campaign – new facility	\$ 9,967,431	\$ 42,688
USDA commodities distributions	9,237,509	4,859,662
Food, freight, and storage	700,592	3,077,352
Neighborhood diabetes program	316,874	272,097
Mobile Pantries	296,284	213,858
Asset purchases	214,200	143,793
Senior program	197,923	--
Backpack programs	190,467	305,827
Agencies	135,658	--
Culinary kits	42,543	22,112
FEMA commodities	25,056	89,698
Other restrictions	19,654	3,507
Summer feeding program	1,664	1,814
Disaster relief	--	62,704
Kid's table program	<u>--</u>	<u>853</u>
Total net assets released from restriction	<u>\$ 21,345,855</u>	<u>\$ 9,095,965</u>

COASTAL BEND FOOD BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended August 31, 2024 and 2023

NOTE 15 – 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, 2024 and 2023, these commodities comprised approximately 41% and 26%, 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 73% and 74% of the assistance necessary to fund the administrative operations of the Food Bank for the years ending August 31, 2024 and 2023, respectively.

NOTE 16 – LEASES

The Food Bank has non-cancelable right-of-use operating leases, primarily for use of copiers 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 2024 and 2023 was approximately \$8,552 and \$5,376, respectively. Right-of-use operating leases are classified as other non-current assets and liabilities.

The Food Bank is holding a right-of-use finance lease for land, building and improvements at their new facility located at 5442 Bear Lane. The weighted average discount rate related to the Food Bank's right-of-use finance lease was 0.3533. Right-of-use finance leases are classified as other non-current assets and liabilities. Lease payments were \$200,000 and \$0 for the years ending August 31, 2024 and 2023, respectively.

Lease liability maturities as of August 31, 2024, are as follows:

	Operating Leases	Finance Leases	Inputs (Level 3)
2025	\$ 11,728	\$ 240,000	\$ 251,728
2026	7,922	240,000	247,922
2027	6,352	240,000	246,352
2028	6,352	240,000	246,352
2029	3,176	240,000	243,176
Thereafter	--	512,750	512,750
Total undiscounted liability	35,530	1,712,750	1,748,280
Less: Imputed interest	(2,528)	(19,765)	(22,293)
Total lease	<u>\$ 33,002</u>	<u>\$ 1,692,985</u>	<u>\$ 1,725,987</u>

The finance lease transaction above is not recorded on the consolidated financial statements as this is a related party transaction that the Food Bank has 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, 2024 and 2023

NOTE 17 – 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, 2024 and 2023

NOTE 17 – 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, 2024 and 2023 are as follows:

	<u>Fair Value Measurements at Reporting Date Using</u>			
		Quoted Prices In Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<u>Fair Value</u>			
<u>August 31, 2024</u>				
Mutual Funds – Equities	\$ 2,059,750	\$ 2,059,750	\$ --	\$ --
Certificates of Deposit	2,458,537	2,458,537	--	--
Mutual Funds – Fixed income	5,295,263	5,295,263	--	--
Beneficial interest in assets held by the Coastal Bend Community Foundation	<u>751,209</u>	<u>--</u>	<u>--</u>	<u>751,209</u>
Total	<u>\$ 10,564,759</u>	<u>\$ 9,813,550</u>	<u>\$ --</u>	<u>\$ 751,209</u>
<u>August 31, 2023</u>				
Mutual Funds – Equities	\$ 2,107,306	\$ 2,107,306	\$ --	\$ --
Certificates of Deposit	1,875,814	1,875,814	--	--
Mutual Funds – Fixed income	2,214,140	2,214,140	--	--
Beneficial interest in assets held by the Coastal Bend Community Foundation	<u>666,472</u>	<u>--</u>	<u>--</u>	<u>666,472</u>
Total	<u>\$ 6,863,732</u>	<u>\$ 6,197,260</u>	<u>\$ --</u>	<u>\$ 666,472</u>

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, 2024 and 2023.

COASTAL BEND FOOD BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended August 31, 2024 and 2023

NOTE 17 – FAIR VALUE MEASUREMENTS (Continued)

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

	<u>Beneficial interest in assets held by Coastal Bend Community Foundation</u>	
	<u>2024</u>	<u>2023</u>
Balance at September 1,	\$ 666,472	\$ 1,137,791
Net investment performance	105,737	185,072
Distributions to the Food Bank	(21,000)	(656,391)
Balance at August 31,	<u>\$ 751,209</u>	<u>\$ 666,472</u>

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

NOTE 18 – REVENUE FROM CONTRACTS WITH CUSTOMERS

Shared Maintenance Revenue

Performance obligations are determined based on the nature of the goods or services provided by the Food Bank in accordance with the contract. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to customers and the Food Bank does not believe it is required to provide additional goods or services related to that sale.

Transaction Price and Recognition

The Food Bank determines the transaction price on a per pound basis on selected categories of products. There are no explicit or implicit price concessions, and the contracts do not contain a significant financing component or variable consideration. The Food Bank has not incurred material refunds in the past, and accordingly, has not provided for a refund liability on August 31, 2024. The exchange portion of shared maintenance revenue, plus reimbursements, was \$613,542 and \$804,641, for the years ended August 31, 2024 and 2023, respectively. For the years ended August 31, 2024 and 2023, the Food Bank recognized revenue from goods or services that transfer to the customer at a point in time.

COASTAL BEND FOOD BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended August 31, 2024 and 2023

NOTE 19 – RETIREMENT PLAN

The Food Bank adopted a retirement plan (Plan) effective March 28, 2008, for all employees of the organization. Benefits depend solely on amounts contributed to the Plan plus investment earnings. Under the terms of the Plan, the Food Bank matches employee contributions to the Plan, up to 5% of the employee's salary. All employees who earn at least \$5,000 in compensation and are employed by the Food Bank for more than six months are eligible to participate. Employees are 100% vested as of the enrollment date. Total contributions by the Food Bank to the Plan were \$28,520 and \$36,463 for the years ending August 31, 2024 and 2023, respectively.

NOTE 20 – 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 commenced on September 1, 2023, and shall end on December 1, 2047, or on March 1, 2030, the 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 will be eliminated in the consolidating financial statements that accompany this report.

NOTE 21 – SUBSEQUENT EVENTS

On October 31, 2024, the Food Bank paid \$6,500,000 to the Ed Rachal Foundation as full payment for the Note Payable to the Foundation. See NOTE 12.

COASTAL BEND FOOD BANK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2024

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Pass Through to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Passed Through the:				
<u>The Food Distribution - Cluster</u>				
Texas Department of Agriculture				
Emergency Food Assistance Program				
(Food Commodities)	10.569	04004	\$ -	\$ 6,554,009
Texas Department of Agriculture				
Emergency Food Assistance Program				
(Administrative Costs)	10.568	04004	-	415,284
Total passed-through Texas Department of Agriculture - The Food Distribution Cluster				6,969,293
Passed Through the:				
Texas Department of Agriculture				
Emergency Food Assistance Program (TEFAP)				
Commodity Credit Corporation Eligible Recipient Funds				
(Administrative Costs)	10.187	04004	-	134,751
Texas Department of Agriculture				
Emergency Food Assistance Program (TEFAP)				
Commodity Credit Corporation Eligible Recipient Funds				
(Food Commodities)	10.187	04004	-	2,683,500
Texas Department of Agriculture				
Local Food Purchase Assistance Funds				
Program	10.182	LFPA0000-22-0001	-	18,750
Total passed-through Texas Department of Agriculture				2,837,001
Passed Through the:				
Texas Health and Human Services Commission (THHSC)				
Supplemental Nutrition Assistance				
Program	10.561	529-10-0011-00003E	-	187,947
Total passed-through THHSC				187,947
Passed Through the:				
Texas Food Bank Network:				
Food Stamp Outreach	N/A	529-16-0002-00002	-	94,467
Total passed-through Texas Food Bank Network				94,467
Total U.S. Department of Agriculture			-	10,088,708
<u>U.S. Department of Housing and Urban Development</u>				
COVID-19 Community Development Block Grant				
Program CARES Act passed through City of Corpus Christi	14.228	8654	-	81,832
Total passed-through City of Corpus Christi				81,832
Total U.S. Department of Housing and Urban Development				81,832
<u>U.S. Department of Homeland Security</u>				
Passed Through the:				
United Way of America				
Emergency Food and Shelter Program	97.024	828400-004	-	11,729
Total Passed-through United Way of America				11,729
Total U.S. Department of Homeland Security				11,729
Total Federal Awards				\$ 10,182,269

The accompanying Notes to Schedule of Expenditures of Federal Awards are an integral part of this schedule.

COASTAL BEND FOOD BANK
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2024

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, 2024. 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, 2024, the Food Bank had \$1,469,666 of USDA commodities in inventory.

INDEPENDENT AUDITOR'S 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 of
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 the Coastal Bend Food Bank (the Food Bank), which comprise the consolidated statement of financial position as of August 31, 2024, 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 January 17, 2025.

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 or significant deficiencies may exist that have not been identified.

GF Valdez, P.C.

A Public Accounting Firm

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

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.

Corpus Christi, Texas
January 17, 2025

GF Valdez, P.C.

A Public Accounting Firm

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

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the 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, 2024. 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, 2024.

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 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.

GF Valdez, P.C.

A Public Accounting Firm

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

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.

Corpus Christi, Texas
January 17, 2024

COASTAL BEND FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2024

A SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material Weakness Identified? No
- Significant Deficiencies identified not considered to be a material weakness? None reported
- Noncompliance material to the consolidated financial statements? No

Federal Awards

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

Internal control over major federal programs:

- Material Weakness Identified? No
- Significant Deficiencies identified not considered to be a material weakness? None reported
- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
	The Food Distribution Cluster -
10.569	Texas Department of Agriculture Emergency Food Assistance Program (Food Commodities)
10.568	Texas Department of Agriculture Emergency Food Assistance Program (Administrative Costs)
10.187	Emergency Food Assistance Program (TEFAP) Commodity Credit Corporation Eligible Recipient Funds (Food & Administrative Costs)

Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,000,000

Auditee qualified as low-risk auditee? Yes

B FINDINGS RELATED TO FINANCIAL STATEMENTS

None

C FINDINGS RELATED TO FEDERAL AWARDS

None

COASTAL BEND FOOD BANK
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2024

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, 2024

	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.
<u>ASSETS</u>					
Current Assets					
Cash and cash equivalents	\$ 107,285	\$ 275,836	\$ 383,121	\$ -	\$ 383,121
Cash and cash equivalents - reserved accounts	-	942,988	942,988	-	942,988
Investments	9,813,550	-	9,813,550	-	9,813,550
Accounts receivable - government grants and contracts	280,792	-	280,792	-	280,792
Accounts receivable - agencies	45,414	-	45,414	-	45,414
Donated food inventory, net of food waste	1,912,179	-	1,912,179	-	1,912,179
Purchased food inventory	308,190	-	308,190	-	308,190
Pledges receivable for capital campaign - current	200,000	-	200,000	-	200,000
Investment in CBFB Holdings, Inc. - transfer of assets	4,843,258	-	4,843,258	(4,843,258)	-
Investment in CBFB Holdings, Inc. - initial cash capitalization	3,746,336	-	3,746,336	(3,746,336)	-
Total Current Assets	21,257,004	1,218,824	22,475,828	(8,589,594)	13,886,234
Pledges receivable for capital campaign, net of current portion	242,356	-	242,356	-	242,356
Lease receivable, net of current portion	-	1,692,985	1,692,985	(1,692,985)	-
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	751,209	-	751,209	-	751,209
Property and equipment, net of accumulated depreciation	2,178,732	27,749,852	29,928,584	-	29,928,584
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	33,002	-	33,002	-	33,002
Finance lease right of use assets, net	1,692,985	(1,692,985)	-	-	-
Total Assets	\$ 46,796,325	\$ 33,811,934	\$ 80,608,259	\$ (10,282,579)	\$ 70,325,680
<u>LIABILITIES AND NET ASSETS</u>					
Liabilities					
Current Liabilities					
Accounts payable	\$ 7,373	\$ 115,308	\$ 122,681	\$ -	\$ 122,681
Deferred revenue	122,624	-	122,624	-	122,624
Operating lease obligations due within one year	10,723	-	10,723	-	10,723
Total Current Liabilities	140,720	115,308	256,028	-	256,028
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	-	27,750,504	27,750,504	-	27,750,504
Long-term operating lease obligations	22,279	-	22,279	-	22,279
Long-term finance lease obligations	1,692,985	-	1,692,985	(1,692,985)	-
Total Liabilities	8,355,984	27,865,812	36,221,796	(1,692,985)	34,528,811
Net Assets					
Without donor restrictions	34,581,015	(2,643,472)	31,937,543	-	31,937,543
Capital contributions - CBFB into CBFB Holdings, Inc.	-	8,589,594	8,589,594	(8,589,594)	-
With donor restrictions	3,859,326	-	3,859,326	-	3,859,326
Total Net Assets	38,440,341	5,946,122	44,386,463	(8,589,594)	35,796,869
Total Liabilities and Net Assets	\$ 46,796,325	\$ 33,811,934	\$ 80,608,259	\$ (10,282,579)	\$ 70,325,680

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

COASTAL BEND FOOD BANK
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
August 31, 2023

	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.
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 336,846	\$ 8,422,563	\$ 8,759,409	\$ -	\$ 8,759,409
Cash and cash equivalents - reserved accounts	-	1,125,254	1,125,254	-	1,125,254
Investments	6,197,260	-	6,197,260	-	6,197,260
Accounts receivable - government grants and contracts	757,537	-	757,537	-	757,537
Accounts receivable - agencies	48,949	-	48,949	-	48,949
Donated food inventory, net of food waste	933,638	-	933,638	-	933,638
Purchased food inventory	274,792	-	274,792	-	274,792
Pledges receivable for capital campaign - current	200,000	-	200,000	-	200,000
Investment in CBFB Holdings, Inc. - transfer of CIP costs	4,843,258	-	4,843,258	(4,843,258)	-
Investment in CBFB Holdings, Inc. - initial cash capitalization	3,746,336	-	3,746,336	(3,746,336)	-
Total Current Assets	17,338,616	9,547,817	26,886,433	(8,589,594)	18,296,839
Pledges receivable for capital campaign, net of current portion	399,022	-	399,022	-	399,022
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	666,472	-	666,472	-	666,472
Property and equipment, net of accumulated depreciation	1,310,849	20,687,499	21,998,348	-	21,998,348
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	12,216	-	12,216	-	12,216
Finance lease right of use assets, net	1,886,107	(1,886,107)	-	-	-
Total Assets	<u>\$ 42,254,319</u>	<u>\$ 35,078,574</u>	<u>\$ 77,332,893</u>	<u>\$ (10,475,701)</u>	<u>\$ 66,857,192</u>
LIABILITIES AND NET ASSETS					
Liabilities					
Current Liabilities					
Accounts payable	7,837	-	7,837	-	7,837
Deferred revenue	230,025	-	230,025	-	230,025
Operating lease obligations due within one year	5,303	-	5,303	-	5,303
Total Current Liabilities	243,165	-	243,165	-	243,165
Notes payable, net of current portion	6,500,000	-	6,500,000	-	6,500,000
New Market Tax Credit Notes payable, net of unamortized debt issuance costs and current portion	-	27,724,974	27,724,974	-	27,724,974
Long-term operating lease obligations	6,913	-	6,913	-	6,913
Long-term finance lease obligations	1,886,107	-	1,886,107	(1,886,107)	-
Total Liabilities	8,636,185	27,724,974	36,361,159	(1,886,107)	34,475,052
Net Assets					
Without donor restrictions	21,927,002	-	21,927,002	-	21,927,002
Capital contributions - CBFB into CBFB Holdings, Inc.	-	8,589,594	8,589,594	(8,589,594)	-
With donor restrictions	11,691,132	(1,235,994)	10,455,138	-	10,455,138
Total Net Assets	33,618,134	7,353,600	40,971,734	(8,589,594)	32,382,140
Total Liabilities and Net Assets	<u>\$ 42,254,319</u>	<u>\$ 35,078,574</u>	<u>\$ 77,332,893</u>	<u>\$ (10,475,701)</u>	<u>\$ 66,857,192</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, 2024

	Coastal Bend Food Bank					
	Without Donor Restrictions	With Donor Restrictions	CBFB Holdings Inc.	Coastal Bend Food Bank and CBFB Holdings Inc.	Eliminations	Consolidated Coastal Bend Food Bank and CBFB Holdings Inc.
Revenues, gains and other support:						
Grants - Federal and State:						
USDA commodities	\$ -	\$ 10,047,298	\$ -	\$ 10,047,298	\$ -	\$ 10,047,298
Feeding America grant	-	600,369	-	600,369	-	600,369
USDA administrative cost reimbursement	550,035	-	-	550,035	-	550,035
Neighborhood diabetes program	-	447,149	-	447,149	-	447,149
USDA nutrition education	187,947	-	-	187,947	-	187,947
TFBN Outreach reimbursement	94,467	-	-	94,467	-	94,467
Produce	-	89,439	-	89,439	-	89,439
Mobile pantry income	-	72,905	-	72,905	-	72,905
TDA - LFPA grant	-	18,750	-	18,750	-	18,750
Emergency management assistance	-	11,729	-	11,729	-	11,729
Total Federal and State grants	832,449	11,287,639	-	12,120,088	-	12,120,088
Value of donated food inventory, net of food scrapped of \$207,647	14,263,864	-	-	14,263,864	-	14,263,864
Donations and private grants	3,859,267	2,226,410	-	6,085,677	(636,063)	5,449,614
Change in value of amount held with Coastal Bend Community Foundation	812,657	-	-	812,657	-	812,657
Shared maintenance fees income	613,542	-	-	613,542	-	613,542
Special events, net of expenses of \$52,967	444,199	-	-	444,199	-	444,199
Dividend and interest income	429,133	-	-	429,133	-	429,133
Unrealized gains on investments	225,813	-	-	225,813	-	225,813
Interest income - Twain Investments	206,410	-	-	206,410	-	206,410
In-kind donation - (Ed Rachal Foundation)	114,583	-	-	114,583	-	114,583
Other income	32,640	-	-	32,640	-	32,640
Realized losses on investments	(803,925)	-	-	(803,925)	-	(803,925)
Leasing income - CBFB	-	-	200,000	200,000	(200,000)	-
Satisfaction of program expenses	-	-	(1,235,994)	(1,235,994)	1,235,994	-
Net assets released from restrictions	21,345,855	(21,345,855)	1,235,994	1,235,994	(1,235,994)	-
Total revenues, gains and other support	42,376,487	(7,831,806)	200,000	34,744,681	(836,063)	33,908,618
Expenses:						
Program expenses	28,767,100	-	1,607,478	30,374,578	(836,063)	29,538,515
Supporting services:						
Administrative	769,237	-	-	769,237	-	769,237
Fundraising	186,137	-	-	186,137	-	186,137
Total expenses	29,722,474	-	1,607,478	31,329,952	(836,063)	30,493,889
Increase in Net Assets	12,654,013	(7,831,806)	(1,407,478)	3,414,729	-	3,414,729
Net Assets, August 31, 2023	21,927,002	11,691,132	(1,235,994)	32,382,140	-	32,382,140
Net Assets, August 31, 2024	\$ 34,581,015	\$ 3,859,326	\$ (2,643,472)	\$ 35,796,869	\$ -	\$ 35,796,869

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, 2023

	Coastal Bend Food Bank			Coastal Bend Food Bank and CBFB Holdings Inc.	Eliminations	Consolidated Coastal Bend Food Bank and CBFB Holdings Inc.
	Without Donor Restrictions	With Donor Restrictions	CBFB Holdings Inc.	Coastal Bend Food Bank and CBFB Holdings Inc.	Eliminations	Consolidated Coastal Bend Food Bank and CBFB Holdings Inc.
Revenues, gains and other support:						
Grants - Federal and State:						
USDA commodities	\$ -	\$ 5,246,319	\$ -	\$ 5,246,319	\$ -	\$ 5,246,319
TDA - LFPA grant	-	2,200,613	-	2,200,613	-	2,200,613
Feeding America grant	-	425,322	-	425,322	-	425,322
USDA administrative cost reimbursement	379,061	-	-	379,061	-	379,061
Neighborhood diabetes program	-	248,851	-	248,851	-	248,851
Mobile pantry income	-	216,902	-	216,902	-	216,902
USDA nutrition education	199,473	-	-	199,473	-	199,473
Produce	-	140,000	-	140,000	-	140,000
TFBN Outreach reimbursement	95,562	-	-	95,562	-	95,562
Emergency management assistance	-	30,065	-	30,065	-	30,065
Total Federal and State grants	674,096	8,508,072	-	9,182,168	-	9,182,168
Value of donated food inventory, net of food scrapped of \$157,565	15,047,082	-	-	15,047,082	-	15,047,082
Donations and private grants	1,881,642	2,668,615	2,500	4,552,757	(849,028)	3,703,729
Shared maintenance fees income	804,641	-	-	804,641	-	804,641
In-kind donation - rent (Ed Rachal Foundation)	275,000	-	-	275,000	-	275,000
Special events, net of expenses of \$10,909	254,593	-	-	254,593	-	254,593
Interest income - Twain Investments	193,223	-	-	193,223	-	193,223
Disaster relief	-	126,658	-	126,658	-	126,658
Dividend and interest income	121,916	-	-	121,916	-	121,916
Unrealized gains on investments	103,545	-	-	103,545	-	103,545
Change in value of amount held with Coastal Bend Community Foundation	103,021	-	-	103,021	-	103,021
Realized gain on sales of investments	39,672	-	-	39,672	-	39,672
Other income	20,208	-	-	20,208	-	20,208
Net assets released from restrictions	9,095,965	(9,095,965)	-	-	-	-
Total revenues, gains and other support	28,614,604	2,207,380	2,500	30,824,484	(849,028)	29,975,456
Expenses:						
Program expenses	26,768,111	-	1,238,394	28,006,505	(849,028)	27,157,477
Supporting services:						
Administrative	709,129	-	-	709,129	-	709,129
Fundraising	169,986	-	-	169,986	-	169,986
Total expenses	27,647,226	-	1,238,394	28,885,620	(849,028)	28,036,592
Increase in Net Assets	967,378	2,207,380	(1,235,894)	1,938,864	-	1,938,864
Net Assets, August 31, 2022	20,959,624	9,483,752	(100)	30,443,276	-	30,443,276
Net Assets, August 31, 2023	<u>\$ 21,927,002</u>	<u>\$ 11,691,132</u>	<u>\$ (1,235,994)</u>	<u>\$ 32,382,140</u>	<u>\$ -</u>	<u>\$ 32,382,140</u>

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