

**THE COMMUNITY FOOD BANK OF VICTORIA  
dba FOOD BANK OF THE GOLDEN CRESCENT  
FINANCIAL STATEMENTS  
For the Year Ended December 31, 2013**

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FINANCIAL STATEMENTS  
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## **FINANCIAL SECTION**

# Goldman, Hunt & Notz, L.L.P.

## Certified Public Accountants

DONALD G. GOLDMAN, CPA  
D. DALE HUNT, CPA  
JAMIE K. NOTZ, CPA, CVA\*  
\*CERTIFIED VALUATION ANALYST

KEITH H. COX, CPA, CISA  
SYLVIA H. GORIS, CPA  
SUE N. GUTHRIE, CPA  
STEPHANIE S. KOCH, CPA

MEMBERS OF:

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

TEXAS SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

### INDEPENDENT AUDITOR'S REPORT

September 29, 2014

To the Board of Directors of  
The Community Food Bank of Victoria  
dba Food Bank of the Golden Crescent

#### Report on the Financial Statements

We have audited the accompanying financial statements of the Community Food Bank of Victoria (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Food Bank of Victoria as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2014, on our consideration of The Community Food Bank of Victoria's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Community Food Bank of Victoria's internal control over financial reporting and compliance.



Goldman, Hunt & Notz, L.L.P.

**THE COMMUNITY FOOD BANK OF VICTORIA  
dba FOOD BANK OF THE GOLDEN CRESCENT  
STATEMENT OF FINANCIAL POSITION  
December 31, 2013**

**ASSETS**

Current assets	
Cash and cash equivalents	\$ 289,724
Cash - donor restricted	132,481
Short-term investments	101,687
Investments	348,420
Accounts receivable	63,838
Prepaid expenses	9,660
Commodities - donated inventory	<u>795,596</u>
Total current assets	<u>1,741,406</u>
Fixed assets	
Land	22,064
Equipment	859,375
Buildings	<u>775,559</u>
Total fixed assets	1,656,998
Accumulated depreciation	<u>(933,713)</u>
Net fixed assets	<u>723,285</u>
<b>Total assets</b>	<b><u><u>\$ 2,464,691</u></u></b>

**LIABILITIES AND NET ASSETS**

Liabilities	
Current	
Accounts payable	\$ 20,974
Payroll tax liability	26,470
Unearned revenue	<u>25,346</u>
Total liabilities	<u>72,790</u>
Net assets	
Unrestricted	2,259,420
Temporarily restricted	<u>132,481</u>
Total net assets	<u>2,391,901</u>
<b>Total liabilities and net assets</b>	<b><u><u>\$ 2,464,691</u></u></b>

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

**THE COMMUNITY FOOD BANK OF VICTORIA  
dba FOOD BANK OF THE GOLDEN CRESCENT  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE AND OTHER SUPPORT</b>			
Program service fees	\$ 431,148	\$ -	\$ 431,148
Contributions	148,676	406,667	555,343
USDA donated commodities	1,599,637		1,599,637
Donated commodities	3,606,134		3,606,134
Government grants and contracts	137,252		137,252
Special events	32,526		32,526
Fundraising - direct mail	178,984		178,984
Net unrealized gain (loss) on long-term investments	18,586		18,586
Interest and dividends	18,112		18,112
Miscellaneous	1,178		1,178
Net assets released from restrictions:			
Satisfied by payments	<u>426,612</u>	<u>(426,612)</u>	<u>-</u>
Total revenue and other support	<u>6,598,845</u>	<u>(19,945)</u>	<u>6,578,900</u>
<b>EXPENSES AND OTHER PAYMENTS</b>			
Program services			
Food distribution	<u>6,209,967</u>	<u>-</u>	<u>6,209,967</u>
Supporting services			
Management and general	233,089		233,089
Fundraising	<u>185,715</u>		<u>185,715</u>
Total supporting services	<u>418,804</u>	<u>-</u>	<u>418,804</u>
Total expenses	<u>6,628,771</u>	<u>-</u>	<u>6,628,771</u>
<b>Change in net assets</b>	(29,926)	(19,945)	(49,871)
Beginning net assets	<u>2,289,346</u>	<u>152,426</u>	<u>2,441,772</u>
<b>Ending net assets</b>	<u>\$ 2,259,420</u>	<u>\$ 132,481</u>	<u>\$ 2,391,901</u>

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

**THE COMMUNITY FOOD BANK OF VICTORIA  
dba FOOD BANK OF THE GOLDEN CRESCENT  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2013**

	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total</b>
	<b>Food Distribution</b>	<b>Management and General</b>	<b>Fund- raising</b>	
Payroll expenses	\$ 418,078	\$ 91,659	\$ 64,453	\$ 574,190
Postage and delivery			1,532	1,532
Grant expense	26,116		95	26,211
Food distribution				
Purchases	414,133			414,133
Processing	19,188			19,188
Donated goods and food - commodities	5,049,011			5,049,011
Insurance	25,844	1,972		27,816
Maintenance	23,407	4,430	128	27,965
Miscellaneous	477	2,833	182	3,492
Office expense	7,829	5,857	6,892	20,578
Dues and subscriptions	5,693	5,216	791	11,700
Professional fees	21,370	30,513		51,883
Volunteer recognition	1,007	2,035	65	3,107
Program expense	58,180			58,180
Utilities	30,594	9,432	1,927	41,953
Transportation	66,067	90	1,907	68,064
Training	16,703	375	520	17,598
Uniforms	636	140	901	1,677
Fundraising			106,322	106,322
Investment expense		1,635		1,635
<b>Total expenses before depreciation</b>	<b>6,184,333</b>	<b>156,187</b>	<b>185,715</b>	<b>6,526,235</b>
Depreciation	25,634	76,902		102,536
<b>Total expenses</b>	<b>\$ 6,209,967</b>	<b>\$ 233,089</b>	<b>\$ 185,715</b>	<b>\$ 6,628,771</b>

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



**THE COMMUNITY FOOD BANK OF VICTORIA  
dba FOOD BANK OF THE GOLDEN CRESCENT  
STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2013**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in net assets	\$ (49,871)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	102,536
In-kind donations received	(5,205,771)
Food distributed to agencies	5,049,011
(Increase) decrease in:	
Receivables	(20,365)
Prepaid expenses	4,871
Increase (decrease) in:	
Accounts payable	(24,358)
Payroll taxes payable	24,750
Unearned revenue	6,004
	<u>(113,193)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(113,193)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase of investments	(32,868)
Sale of investments	158,945
Purchase of equipment	(113,072)
	<u>13,005</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>13,005</u>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>-</u>
NET INCREASE IN CASH	(100,188)

CASH AT THE BEGINNING OF THE YEAR	<u>522,393</u>
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CASH AT THE END OF THE YEAR	<u>\$ 422,205</u>
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The accompanying notes are an integral part of these financial statements.

**THE COMMUNITY FOOD BANK OF VICTORIA  
dba FOOD BANK OF THE GOLDEN CRESCENT  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended December 31, 2013**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

The Community Food Bank of Victoria (the "Food Bank") operates a food distribution warehouse that supplies food to Victoria area nonprofit organizations and charitable agencies that in turn provide food stock and prepared meals to needy individuals. Operated originally as a part of the Spirit of Youth of Victoria, the Food Bank began operations as a separate entity on September 30, 1989. Program services are funded primarily through a combination of shared maintenance fees collected on food distributed, governmental grants, and donations from area businesses, charitable organizations and individuals.

In the fall of 1999, the Food Bank became a certified affiliate of America's Second Harvest, the nation's largest domestic hunger relief organization. This network includes over 200 food banks, 19 of which are in Texas. In 2007 America's Second Harvest changed its name to Feeding America.

**Basis of Accounting**

The accompanying financial statements of the Food Bank have been prepared using the accrual basis of accounting in accordance with U. S. generally accepted accounting principles. Under the accrual method of accounting revenues are recognized when earned rather than received, and expenses are recognized when the related liability is incurred rather than when paid.

**Basis of Presentation**

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. If donor-imposed restrictions are met in the same period as the gift or investment income is received, the amount is reported as unrestricted revenues. Accordingly, net assets of the food bank and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets that are available for use, but expendable only for those purposes specified by the grantor.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Food Bank.

**Use of Estimates**

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

**Inventory**

The Food Bank maintains a substantial quantity of food items in inventory at all times. This inventory consists primarily of USDA donated commodities (valued at approximately \$307,555 as of year-end) and other foods and goods donated by third-party suppliers valued at approximately \$488,041. These donated commodities are recorded in the financial statements as commodities-donated inventory. The inventory from the USDA is valued at an amount established by Feeding America. This value was obtained from Feeding America's current audit report. USDA commodities and other foods and goods donated by third party suppliers are valued at \$1.69 per pound.

**THE COMMUNITY FOOD BANK OF VICTORIA  
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NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended December 31, 2013**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property and Equipment**

It is the Organization's policy to capitalize property and equipment over \$500. Lesser amounts are expensed.

Property and equipment purchased by the organization are carried at cost. These assets are depreciated over their estimated useful life using the straight-line method of depreciation. Donated property and equipment are recorded in the accompanying financial statements as donated assets at the estimated fair market value at the date of donation. Such donations are reported as unrestricted donated assets (support) unless the donor has restricted the donated asset to a specified purpose.

**Advertising**

The Food Bank follows the policy of charging the costs of advertising to expense as incurred. Advertising expenses for the year ended December 31, 2013 were \$3,087.

**Contributed Services**

Many individuals donate time to assist the organization in its food distribution programs. Management estimates that the Food Bank received more than 22,488 hours of volunteer labor in 2013. These volunteer hours are not recognized because the nature of these services does not meet the criteria for recognition under generally accepted accounting principles. Contributions of services are only recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash held in checking and money market accounts and investments with maturities of less than 90 days. At year end and throughout the year, the Organization's cash balances were deposited in local banks. Management believes the Organization is not exposed to any significant credit risk on cash and cash equivalents.

**Investments**

The Food Bank carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair value in the Statement of Assets, Liabilities and Net Assets. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Investments in certificates of deposit with original maturities over three months are carried at fair value.

**Revenue Recognition**

To the extent allowed under the accrual basis of accounting, the Food Bank accounts for contributions when made. Cash contributions received during the accounting period are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor-imposed restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**THE COMMUNITY FOOD BANK OF VICTORIA  
dba FOOD BANK OF THE GOLDEN CRESCENT  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended December 31, 2013**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

**Expense Allocation**

The Food Bank's cost of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Income Taxes**

The Food Bank is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). It is also classified as a publicly supported organization that is not a private foundation as defined in Section 509(a) of the Code. The Food Bank has not received any correspondence from the Internal Revenue Service regarding contingencies for income tax penalties or liabilities as of September 29, 2014.

**Compensated Absences**

Employees of the Food Bank are entitled to vacation benefits during the year based upon their employment status. Full-time employees are granted vacation based upon the number of years of employment. Vacation is earned during the first year of service and can be used starting in the second year of service. The Executive Director is given three weeks of vacation per year for the first five full years of employment. After completing the fifth year of full employment, the director is eligible to receive four weeks of vacation with pay. Any unused vacation days as of year-end are not allowed to be rolled over into the following year and are not paid upon termination. Employees are entitled to five sick days per year. Sick leave accumulates upon employment. For an employee to be eligible for paid sick leave, 90 days of service must be completed. A maximum of 120 hours may accrue and is not paid to employees upon termination with the Food Bank. Because these amounts cannot be reasonably estimated, no accrual has been made for compensated absences.

**Date of Management's Review**

Management has evaluated subsequent events through September 29, 2014, the date the financial statements were available to be issued.

**NOTE 2: RESTRICTED CASH**

Amounts on deposit as of year-end that have been designated for long-term purposes or were received with donor-imposed restrictions limiting their use to long-term purposes or for the purchase of long lived assets are classified as "restricted" in the accompanying statement of assets, liabilities and net assets. Amounts on deposit as of year-end that have been donor imposed limiting their use totaled \$132,481 as of December 31, 2013.

**THE COMMUNITY FOOD BANK OF VICTORIA  
dba FOOD BANK OF THE GOLDEN CRESCENT  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended December 31, 2013**

**NOTE 3: SHORT-TERM INVESTMENTS**

Certificates of deposit are held as follows:

<u>Name of Financial Institution</u>	<u>Type of Account</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Term</u>
International Bank of Commerce	Certificate of deposit	\$ 101,687	0.35%	11/22/14	6 months
Total certificates of deposit		<u>\$ 101,687</u>			

Total interest received from the certificate of deposits during 2013 totaled \$2,196.

Investment return for the current year is summarized as follows:

	<u>Amount</u>
Unrealized gain (loss) on investments	\$ 18,586
Interest and dividend income	<u>18,112</u>
Total investment return	<u>\$ 36,698</u>

**NOTE 4: SHARED MAINTENANCE FEES**

In most instances member agencies pay the Food Bank a shared maintenance fee for the purchase of food that is used in the agencies' operations. The fee is as much as nineteen cents (\$0.19) per pound but can be as low as three cents (\$0.03) per pound

**NOTE 5: FIXED ASSETS**

The following is a summary of fixed asset activity for the year ended December 31, 2013:

	<u>12/31/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2013</u>
Land	\$ 22,064	\$ -	\$ -	\$ 22,064
Equipment	821,939	112,773	75,337	859,375
Buildings	<u>775,261</u>	<u>299</u>		<u>775,560</u>
	<u>\$ 1,619,264</u>	<u>\$ 113,072</u>	<u>\$ 75,337</u>	<u>\$ 1,656,999</u>

Depreciation expense for 2013 totaled \$102,536.

**THE COMMUNITY FOOD BANK OF VICTORIA  
dba FOOD BANK OF THE GOLDEN CRESCENT  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended December 31, 2013**

**NOTE 6: GOVERNMENT GRANTS AND CONTRACTS**

During 2013, the Food Bank received assistance in the form of cash payments under governmental grant programs. Funds received under the following programs have been recognized as revenues in the accompanying financial statements.

	Amount
Texas Health and Human Services Commission Community Based Outreach and Application	\$ 49,869
Commodity Supplements Food Program TANF Commodity Program	32,824
Texas Department of Agriculture Texas Commodity Assistance Program	88,276
Emergency Food and Shelter National Board Program	3,575
Community Development Block Grants/Entitlement Grants City of Victoria, Texas	9,300
	\$ 183,844

In addition to the amounts received noted above, the Food Bank also receives donated food commodities from the United States Department of Agriculture under the Texas Commodity Assistance Program (TEXCAP). For the year ended December 31, 2013, the estimated market value of commodities received by the Food Bank under this program was \$1,599,637. These commodities are donated to the Food Bank; and revenues are recorded relative to the value of these items in the accompanying financial statements.

**NOTE 7: CONTINGENCIES**

The Food Bank is exposed to the risk of contingent liabilities in the ordinary course of its operations. Specifically, such risks arise as a result of the Food Bank's participation in governmental assistance programs and as a result of threatened and pending litigation. Disallowed costs could result if expenditures made under governmental grant programs are found to be improper because they violate federal regulations. Such costs, if any, would have to be repaid to the granting agency from the Food Bank's unrestricted net assets. For the year ended December 31, 2013, management has not been notified of any disallowed costs relative to federal program expenditures nor is it anticipated that program authorities will question any costs for these years.

The Food Bank was not involved in any litigation during the current fiscal year. Furthermore, management was not aware of any threatened or pending lawsuits or unasserted claims against the Food Bank as of September 29, 2014.

**NOTE 8: RISK MANAGEMENT**

The Food Bank is exposed to various risks of loss related to theft of, damage to, and destruction of assets, injuries to employees, natural disasters, and other areas of general liability. During the 2013 fiscal year, the Food Bank purchased insurance from commercial insurance carriers to cover potential losses in the areas noted above. Through the payment of premiums and loss deductibles, essentially all risk was transferred to the third-party insurers.

**THE COMMUNITY FOOD BANK OF VICTORIA  
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NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended December 31, 2013**

**NOTE 9: FAIR VALUE MEASUREMENTS**

The Food Bank's investments are reported at fair value in the accompanying statement of net assets available for benefits.

Fair Value Measurements at Reporting Date using:

<u>December 31, 2013</u>	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual funds	\$ 348,420	\$ 348,420	\$ -	\$ -
Total investments	<u>\$ 348,420</u>	<u>\$ 348,420</u>	<u>\$ -</u>	<u>\$ -</u>

  

<u>December 31, 2012</u>	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual funds	\$ 315,552	\$ 315,552	\$ -	\$ -
Total investments	<u>\$ 315,552</u>	<u>\$ 315,552</u>	<u>\$ -</u>	<u>\$ -</u>

Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs are unobservable and have the lowest priority. The Food Bank uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Food Bank measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were used only when Level 1 and Level 2 inputs were not available.

*Level 1 Fair Value Measurements*

The fair values of mutual funds are available based on quoted market prices.

*Level 2 Fair Value Measurements*

The Food Bank did not hold any investments during 2013 or 2012 for which fair values were measured on an unobservable basis or for which fair values were determined using a Level 2 (Significant Unobservable Inputs) method.

*Level 3 Fair Value Measurements*

The Food Bank did not hold any investments during 2013 or 2012 for which fair values were measured on a non-recurring basis or for which fair values were determined using a Level 3 (Significant Unobservable Inputs) method.

**THE COMMUNITY FOOD BANK OF VICTORIA  
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NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended December 31, 2013**

**NOTE 10: CONCENTRATIONS**

Approximately 26% of income received by the Food Bank in 2013 related to participation in the TEXCAP food commodities program. The current contract between the Food Bank and the Texas Department of Human Services (TDHS) that governs the operation of this program is in effect through September 30, 2014. However, the level of funds and commodities received from TDHS by the Food Bank are contingent upon their availability from the United States Department of Agriculture (USDA). The USDA had not guaranteed TDHS any specific level of availability of administrative funds or food commodities.

Management does not anticipate any decrease in the dollar amount of administrative reimbursements or the volume of food commodities received under the TEXCAP program through the end of the current grant agreement. Substantially reduced assistance from TDHS could have a significant impact on the level of services currently being offered by the Food Bank to its member agencies.

**NOTE 11: RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets were available for the following purposes as of December 31, 2013:

	Amount
Transportation and food purchases	\$ 7,675
Backpack program	124,806
Total	\$ 132,481

No contributions were received during 2013 that were classified as permanently restricted, and none of the Food Bank's net assets as of the end of the fiscal year had any permanent restrictions as to their use.

**NOTE 12: RETIREMENT PLAN**

During 1999, the Food Bank adopted a defined contribution retirement plan (the "Plan") covering all full-time employees with at least six months service. Participants can elect to defer a percentage of their annual salary to the Plan. Currently employees can defer up to 10%. The Food Bank matches participants' contributions to the Plan dollar for dollar up to a maximum amount determined annually by the Board of Directors. Actual contributions made on behalf of employees totaled \$19,849 during 2013. Plan participants vest immediately in all contributions (employee and employer) made to the Plan on their behalf.

**NOTE 13: PREPAID EXPENSES**

At December 31, 2013 prepaid expenses consisted of the following:

	Amount
Employer match forfeiture	\$ 432
Prepaid insurance	9,228
Total prepaid expenses	\$ 9,660



**THE COMMUNITY FOOD BANK OF VICTORIA  
dba FOOD BANK OF THE GOLDEN CRESCENT  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended December 31, 2013**

**NOTE 14: UNEARNED REVENUE**

At December 31, 2013 unearned revenue consisted of shared maintenance fees in the amount of \$0 and advanced payments by the Food Bank's member agencies in the amount of \$25,346.

**NOTE 15: PROGRAM SERVICES**

The Community Food Bank provides program services for food distribution to its member agencies in Victoria County and the surrounding counties.

Its supporting services for the food distribution program consist of the following:

Management and general – provides supporting services to the local Food Bank's office and the administering of grant funds received and professional services. In 2011 the Food Bank implemented the Backpack program for the school children and the mobile food pantry.

Fundraising – provides for the support to obtain direct mail campaigns and any other fundraising expenses the Food Bank may incur.

**NOTE 16: RELATED PARTY TRANSACTIONS**

There were no material related party transactions.

**NOTE 17: SUBSEQUENT EVENTS**

No material subsequent events occurred between the year ended December 31, 2013 and September 29, 2014.

**SINGLE AUDIT SECTION**

# Goldman, Hunt & Notz, L.L.P.

## Certified Public Accountants

DONALD G. GOLDMAN, CPA  
D. DALE HUNT, CPA  
JAMIE K. NOTZ, CPA, CVA\*  
\*CERTIFIED VALUATION ANALYST

KEITH H. COX, CPA, CISA  
SYLVIA H. GORIS, CPA  
SUE N. GUTHRIE, CPA  
STEPHANIE S. KOCH, CPA

MEMBERS OF:

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

TEXAS SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

### 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

September 29, 2014

To the Board of Directors of  
The Community Food Bank of Victoria  
dba Food Bank of the Golden Crescent

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Community Food Bank of Victoria (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 29, 2014.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Community Food Bank of Victoria's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Community Food Bank of Victoria's internal control. Accordingly, we do not express an opinion on the effectiveness of the Community Food Bank of Victoria's internal control.

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

A handwritten signature in black ink, appearing to read "Goldman, Hunt & Notz, L.L.P.", is written over the printed name of the firm.

Goldman, Hunt & Notz, L.L.P.

# Goldman, Hunt & Notz, L.L.P.

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### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

September 29, 2014

To the Board of Directors of  
The Community Food Bank of Victoria  
dba Food Bank of the Golden Crescent

#### **Report on Compliance for Each Major Federal Program**

We have audited the Community Food Bank of Victoria's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Community Food Bank of Victoria's major federal programs for the year ended December 31, 2013. the Community Food Bank of Victoria's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Community Food Bank of Victoria's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Community Food Bank of Victoria's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the Community Food Bank of Victoria 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 December 31, 2013.

### **Report on Internal Control Over Compliance**

Management of the Community Food Bank of Victoria is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Community Food Bank of Victoria's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Community Food Bank of Victoria's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
Goldman, Hunt & Notz, L.L.P.

**THE COMMUNITY FOOD BANK OF VICTORIA  
dba FOOD BANK OF THE GOLDEN CRESCENT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2013**

Federal Grantor/Department/Name of Federal Program/ Pass-Through Grantor/Program Title	CFDA Number	Contract Number	From Direct Awards	Expenditures	
				From Pass Through Awards	Total Expenditures
<b>FEDERAL PROGRAMS</b>					
<u>U.S. Department of Health and Human Services</u> Texas Health and Human Services Commission Community Based Outreach and Application Assistance Services	various	HHSC-529-06-0423-00012	\$ -	\$ 49,869	\$ 49,869
Commodity Supplements Food Program TANF Commodity Program	93.558	529-06-0423-00001E	-	32,824	32,824
<u>U.S. Department of Agriculture</u> Texas Department of Agriculture Texas Commodity Assistance Program Food products valued at \$1.69/lb.	10.569	04006	-	1,490,009	1,490,009
Texas Commodity Assistance Program Cash	10.568	04006	-	88,276	88,276
<u>U.S. Department of Homeland Security</u> Emergency Food and Shelter National Board Program DeWitt County, Texas United Way Gonzales County, Texas United Way Victoria County, Texas United Way	97.024 97.024 97.024	30-801600-003 30-807800-002 30-842600-005	- - -	500 575 2,500	500 575 2,500
<u>U.S. Department of Housing and Urban Development</u> Office of Community Planning and Development Community Development Block Grants/Entitlement Grants City of Victoria, Texas	14.218	B-12-MC-48-0510	9,300	-	9,300
Total Federal Assistance			\$ 9,300	\$ 1,664,553	\$ 1,673,853

**THE COMMUNITY FOOD BANK OF VICTORIA  
dba FOOD BANK OF THE GOLDEN CRESCENT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2013**

**NOTE 1: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The Community Food Bank of Victoria and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Non-monetary assistance in the form of food commodities received under the USDA's Emergency Food Assistance Program is reported in the financial statements at estimated fair market value.

**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 OMB Circular A-122, Cost Principles for Nonprofit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.



**THE COMMUNITY FOOD BANK OF VICTORIA  
dba FOOD BANK OF THE GOLDEN CRESCENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2013**

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- \* Material weakness(es) identified? \_\_\_\_\_ yes       X       no
- \* Significant deficiencies identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes       X       no

Noncompliance material to financial statements noted? \_\_\_\_\_ yes       X       no

***Federal Awards***

Internal control over major programs:

- \* Material weakness(es) identified? \_\_\_\_\_ yes       X       no
- \* Significant deficiencies identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes       X       no

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ yes       X       no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.569	Texas Commodity Assistance Program
10.568	Texas Commodity Assistance Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

**Section II- Financial Statement Findings**

None

**Section III- Federal Award Findings and Questioned Costs**

None

**THE COMMUNITY FOOD BANK OF VICTORIA  
dba FOOD BANK OF THE GOLDEN CRESCENT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

The following are audit findings for the year ended December 31, 2012 and their current status as of December 31, 2013:

NONE