

THE COMMUNITY FOOD BANK OF VICTORIA
dba FOOD BANK OF THE GOLDEN CRESCENT
FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

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FINANCIAL SECTION

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

Certified Public Accountants

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AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

July 11, 2012

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

We have audited the accompanying statement of financial position of The Community Food Bank of Victoria (a nonprofit organization) as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of The Community Food Bank of Victoria as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated July 11, 2012, on our consideration of The Community Food Bank of Victoria's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic 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 basic 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 the 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 basic financial statements as a whole.

John, Hunter & Koff LLP

**THE COMMUNITY FOOD BANK OF VICTORIA
dba FOOD BANK OF THE GOLDEN CRESCENT
STATEMENT OF FINANCIAL POSITION
December 31, 2011**

ASSETS

Current assets	
Cash and cash equivalents	\$ 784,472
Cash - donor restricted	193,784
Cash - short term investments	259,134
Investments	54,279
Accounts receivable	28,292
Prepaid expenses	9,725
Payroll tax overpayment	6,051
Commodities - donated inventory	<u>458,520</u>
Total current assets	<u>1,794,257</u>
Fixed assets	
Land	22,064
Equipment	751,541
Buildings	<u>751,291</u>
Total fixed assets	1,524,896
Accumulated depreciation	<u>(827,820)</u>
Net fixed assets	<u>697,076</u>
Total assets	<u><u>\$ 2,491,333</u></u>

LIABILITIES AND NET ASSETS

Liabilities	
Current	
Accounts payable	\$ 30,807
Unearned revenue	<u>21,782</u>
Total liabilities	<u>52,589</u>
Net assets	
Unrestricted	2,244,960
Temporarily restricted	<u>193,784</u>
Total net assets	<u>2,438,744</u>
Total liabilities and net assets	<u><u>\$ 2,491,333</u></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 ACTIVITIES
For the Year Ended December 31, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT			
Program service fees	\$ 359,773	\$ -	\$ 359,773
Contributions	94,200	360,825	455,025
USDA donated commodities	1,773,612		1,773,612
Donated commodities	3,437,922		3,437,922
Government grants and contracts	129,093		129,093
Special events	39,607		39,607
Fundraising - direct mail	149,489		149,489
Net unrealized gain (loss) on long-term investments	7,344		7,344
Interest and dividends	7,488		7,488
Miscellaneous	1,852		1,852
Net assets released from restrictions: Satisfied by payments	<u>219,884</u>	<u>(219,884)</u>	<u>-</u>
Total revenue and other support	<u>6,220,264</u>	<u>140,941</u>	<u>6,361,205</u>
EXPENSES AND OTHER PAYMENTS			
Program services			
Food distribution	<u>6,255,312</u>	<u>-</u>	<u>6,255,312</u>
Supporting services			
Management and general	162,227		162,227
Fundraising	<u>120,359</u>		<u>120,359</u>
Total supporting services	<u>282,586</u>	<u>-</u>	<u>282,586</u>
Total expenses	<u>6,537,898</u>	<u>-</u>	<u>6,537,898</u>
Change in net assets	(317,634)	140,941	(176,693)
Beginning net assets	<u>2,562,594</u>	<u>52,843</u>	<u>2,615,437</u>
Ending net assets	<u>\$ 2,244,960</u>	<u>\$ 193,784</u>	<u>\$ 2,438,744</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, 2011**

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Food Distribution</u>	<u>Management and General</u>	<u>Fund- raising</u>	
Payroll expenses	\$ 317,754	\$ 100,968	\$ 48,164	\$ 466,886
Postage and delivery	1,549		1,325	2,874
Grant expense	35,776			35,776
Food distribution				
Purchases	59,805			59,805
Transportation	60,561			60,561
Packaging	10,897			10,897
Donated goods and food - commodities	5,433,681			5,433,681
Insurance	6,848	2,410		9,258
Maintenance	24,986	1,454		26,440
Miscellaneous	1,895	92	77	2,064
Office expense	11,493	4,167	1,254	16,914
Other miscellaneous - backpack program	159,329			159,329
Dues and subscriptions	8,629	4,410		13,039
Professional fees	7,125	9,185		16,310
Volunteer recognition	5,102	877	45	6,024
Travel and conference	7,676	411		8,087
Utilities	26,682	8,894		35,576
Telephone	2,198	2,040	592	4,830
Transportation		3,014	168	3,182
Uniforms	409			409
Fundraising			68,734	68,734
Total expenses before depreciation	6,182,395	137,922	120,359	6,440,676
Depreciation	72,917	24,305		97,222
Total expenses	\$ 6,255,312	\$ 162,227	\$ 120,359	\$ 6,537,898

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, 2011**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (176,693)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	97,222
(Increase) decrease in:	
Receivables	137,536
Prepaid expenses	(2,122)
Payroll tax overpayment	(6,051)
Inventory	222,147
Increase (decrease) in:	
Accounts payable	8,895
Payroll taxes payable	(525)
Unearned revenue	10,916
	<u>291,325</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>291,325</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Unrealized gain on investments	(7,344)
Interest and dividends on investments	(582)
Purchase of short term investments	(84,634)
Loss (gain) on sale of assets	510
Sale of equipment	3,175
Purchase of equipment	(29,621)
	<u>(118,496)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>(118,496)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	<u>-</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>-</u>
NET INCREASE IN CASH	172,829
CASH AT THE BEGINNING OF THE YEAR	<u>805,427</u>
CASH AT THE END OF THE YEAR	<u><u>\$ 978,256</u></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
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011**

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 \$2,281 as of year-end) and other foods and goods donated by third-party suppliers valued at approximately \$456,239. 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 \$1.66 per pound.

**THE COMMUNITY FOOD BANK OF VICTORIA
dba FOOD BANK OF THE GOLDEN CRESCENT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011**

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.

Contributed Services

Many individuals donate time to assist the organization in its food distribution programs. Management estimates that the Food Bank received more than 9,062 hours of volunteer labor in 2011. 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, 2011**

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.

Statement of Cash Flows

For purposes of the statement of cash flows, The Community Food Bank of Victoria considers all highly liquid investments as cash equivalents. At December 31, 2011, \$747,238 was held in money market accounts which are classified as a cash equivalent. Cash also includes cash held in checking accounts at local banking institutions and petty cash.

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.

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 \$193,784 as of December 31, 2011.

**THE COMMUNITY FOOD BANK OF VICTORIA
dba FOOD BANK OF THE GOLDEN CRESCENT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011**

NOTE 3: CASH AND CASH EQUIVALENTS

The Food Bank maintains cash balances at financial institutions located in Victoria, Texas. Cash balances consisted of the following as of December 31, 2011:

Cash on deposit	\$ 295,614
Money market	225,105
Money market mutual fund	<u>522,133</u>
	<u>\$1,042,852</u>

During 2011, amounts on deposit in excess of anticipated short-term needs were invested overnight in a money market mutual fund. The balance held in this mutual fund at year-end is reported at cost that reflects fair value. As of December 31, 2011, all cash on deposit was covered by federal depository insurance. The mutual fund is invested exclusively in U.S. Treasury obligations, the principal of which is backed by the full faith and credit of the United States government.

NOTE 4: INVESTMENTS

During 2002, the Food Bank received a donation of corporate stock with a fair market value of \$20,306 on the date of donation. Dividends paid on the stock were reinvested through a dividend reinvestment plan. On July 21, 2011 the stock was sold and the proceeds were invested in money market funds. At December 31, 2011, the balance in the money market fund was \$54,279. The interest rate was 0.01%.

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>
Trust Texas Bank	Certificate of deposit	\$ 75,186	0.75%	04/24/12	12 months
Trust Texas Bank	Certificate of deposit	83,197	1.0001%	02/29/12	12 months
International Bank of Commerce	Certificate of deposit	<u>100,751</u>	0.50%	05/22/12	6 months
Total certificates of deposit		<u>\$ 259,134</u>			

Total interest received from the certificate of deposits during 2011 totaled \$2,135.

Investment return for the current year is summarized as follows:

Interest and dividend income	\$ 7,488
Unrealized gain (loss) on investments	<u>7,344</u>
Total investment return	<u>\$ 14,832</u>

**THE COMMUNITY FOOD BANK OF VICTORIA
dba FOOD BANK OF THE GOLDEN CRESCENT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011**

NOTE 5: 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 6: FIXED ASSETS

The following is a summary of fixed asset activity for the year ended December 31, 2011:

	<u>1/1/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2011</u>
Land	\$ 22,064	\$ -	\$ -	\$ 22,064
Equipment	726,610	29,621	4,690	751,541
Buildings	751,291			751,291
	<u>\$ 1,499,965</u>	<u>\$ 29,621</u>	<u>\$ 4,690</u>	<u>\$ 1,524,896</u>

Depreciation expense for 2011 totaled \$97,222.

NOTE 7: GOVERNMENT GRANTS AND CONTRACTS

During 2011, the Food Bank received assistance in the form of cash payments under two governmental grant programs. Funds received under the following programs have been recognized as revenues in the accompanying financial statements.

Texas Health and Human Services Commission, Community Based Outreach and Application Assistance Services	\$ 41,941
Texas Department of Agriculture, Texas Commodity Assistance Program	74,752
Emergency Food and Shelter National Board Program	<u>12,400</u>
Total	<u>\$129,093</u>

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, 2011, the estimated market value of commodities received by the Food Bank under this program was \$1,773,612. These commodities are donated to the Food Bank; and revenues are recorded relative to the value of these items in the accompanying 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, 2011**

NOTE 8: 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, 2011, 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 December 31, 2011.

NOTE 9: 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 2011 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.

NOTE 10: CONCENTRATIONS

Approximately 34% of income received and food distributed by the Food Bank in 2011 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, 2012. 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, 2011:

Transportation and food purchases	\$ 73,499
Backpack program	62,310
Training	<u>57,975</u>
Total	<u>\$ 193,784</u>

No contributions were received during 2011 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.

THE COMMUNITY FOOD BANK OF VICTORIA
dba FOOD BANK OF THE GOLDEN CRESCENT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

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 \$17,925 during 2011. Plan participants vest immediately in all contributions (employee and employer) made to the Plan on their behalf.

NOTE 13: CHANGE IN ACCOUNTING METHOD

At December 31, 2009, The Community Food Bank of Victoria changed its accounting method from cash to the accrual basis of accounting. This change in accounting method reflects income when it is earned and expenses when they are incurred.

NOTE 14: PREPAID EXPENSES

At December 31, 2011 prepaid expenses consisted of the following:

Prepaid insurance	\$ 7,584
Prepaid special events expense	<u>2,141</u>
Total prepaid expenses	<u><u>\$ 9,725</u></u>

NOTE 15: UNEARNED REVENUE

At December 31, 2011 unearned revenue consisted of shared maintenance fees in the amount of \$17,682 and special event receipts for the February 2012 special event fundraiser in the amount of \$4,100.

NOTE 16: 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.

Fund raising – provides for the support to obtain direct mail campaigns and any other fund raising expenses the Food Bank may incur.

SINGLE AUDIT SECTION

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

Certified Public Accountants

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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

July 11, 2012

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

We have audited the financial statements of The Community Food Bank of Victoria (a nonprofit organization) as of and for the year ended December 31, 2011, and have issued our report thereon dated July 11, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Community Food Bank of Victoria's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 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 statement will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Community Food Bank of Victoria's financial statements are free of 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*.

This report is intended solely for the information and use of management, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Glenn, Stuart & Not LLP". The signature is written in a cursive, flowing style.

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

K. LACE FELGMAN, CPA
SYLVIA H. GORIS, CPA
SUE N. GUTHRIE, CPA
SCOTT A. POWELL, CPA

MEMBERS OF:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

July 11, 2012

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

Compliance

We have audited the compliance of The Community Food Bank of Victoria (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2011. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of The Community Food Bank of Victoria's management. Our responsibility is to express an opinion on The Community Food Bank of Victoria's compliance based on our audit.

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. Our audit does not provide a legal determination on The Community Food Bank of Victoria's compliance with those requirements.

In our opinion, The Community Food Bank of Victoria complied, in all material respects, with the requirements referred to above that could have a material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

The management of The Community Food Bank of Victoria is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered The Community Food Bank of Victoria's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 the 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 or corrected, on a timely basis.

Our consideration of the 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The report is intended solely for the information and use of the Board of Directors and management of The Community Food Bank of Victoria, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Adam White" followed by a stylized flourish.

**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, 2011**

Federal Grantor/Department/Name of Federal Program/ Pass-Through Grantor/Program Title	CFDA Number	Contract Number	From Direct Awards	Expenditures		Total Expenditures
				From Pass Through Awards		
FEDERAL PROGRAMS						
<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-529-06-0423-00001D	\$ -	\$ 41,941	\$	41,941
<u>U.S. Department of Agriculture</u> Texas Department of Agriculture Texas Commodity Assistance Program Food products valued at \$1.66/lb.	10.569	TX235-7128	-	1,773,612		1,773,612
Texas Commodity Assistance Program Cash	10.568	TX235-7128	-	74,752		74,752
<u>U.S. Department of Homeland Security</u> Emergency Food and Shelter National Board Program Victoria County, Texas United Way DeWitt County, Texas United Way Gonzales County, Texas United Way Matagorda County, Texas United Way	97.024 97.024 97.024 97.024	842600.005 801600-003 807800-002 824800-011	- - - -	6,000 1,250 1,250 3,900		6,000 1,250 1,250 3,900
Total Federal Assistance			\$ -	\$ 1,902,705	\$	\$ 1,902,705

**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, 2011**

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, 2011**

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
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Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
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Auditee qualified as low-risk auditee?	No
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Section II- Financial Statement Findings

None

Section III- Federal Award Findings and Questioned Costs

None

