

THE COMMUNITY FOOD BANK OF VICTORIA  
DBA FOOD BANK OF THE GOLDEN CRESCENT

FINANCIAL STATEMENTS AND  
OTHER SUPPLEMENTAL INFORMATION

December 31, 2015 and 2014

THE COMMUNITY FOOD BANK OF VICTORIA  
DBA FOOD BANK OF THE GOLDEN CRESCENT

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**GF Valdez, P.C.**

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Community Food Bank of Victoria (Food Bank), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

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

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

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

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Food Bank of Victoria as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Other Information*

Our 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 Title 2 U.S. *Code of Federal Regulations* (CFR) 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 August 16, 2016, 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.

*GF Valdez, P.C.*

August 16, 2016  
Corpus Christi, Texas

THE COMMUNITY FOOD BANK OF VICTORIA  
DBA FOOD BANK OF THE GOLDEN CRESCENT  
STATEMENT OF FINANCIAL POSITION  
December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 184,267	\$ 170,812	\$ -	\$ 355,079
Investments	430,360	-	-	430,360
Accounts receivable	127,090	-	-	127,090
Donated food inventory, net of salvage	376,409	128,991	-	505,400
Total Current Assets	<u>1,118,126</u>	<u>299,803</u>	<u>-</u>	<u>1,417,929</u>
Property and equipment, net of accumulated depreciation	<u>700,271</u>	<u>-</u>	<u>-</u>	<u>700,271</u>
Total Assets	<u>\$ 1,818,397</u>	<u>\$ 299,803</u>	<u>\$ -</u>	<u>\$ 2,118,200</u>
<u>LIABILITIES AND NET ASSETS</u>				
Liabilities				
Accounts payable	\$ 145,899	\$ -	\$ -	\$ 145,899
Accrued expenses	3,718	-	-	3,718
Deferred revenue	35,504	-	-	35,504
Total Liabilities	<u>185,121</u>	<u>-</u>	<u>-</u>	<u>185,121</u>
Net Assets	<u>1,633,276</u>	<u>299,803</u>	<u>-</u>	<u>1,933,079</u>
Total Liabilities and Net Assets	<u>\$ 1,818,397</u>	<u>\$ 299,803</u>	<u>\$ -</u>	<u>\$ 2,118,200</u>

See accompanying notes.

THE COMMUNITY FOOD BANK OF VICTORIA  
DBA FOOD BANK OF THE GOLDEN CRESCENT  
STATEMENT OF FINANCIAL POSITION  
December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 260,362	\$ 133,271	\$ -	\$ 393,633
Investments	430,691	-	-	430,691
Accounts receivable	88,895	-	-	88,895
Donated food inventory, net of salvage	462,665	67,350	-	530,015
Prepaid expenses	7,781	-	-	7,781
Total Current Assets	1,250,394	200,621	-	1,451,015
Property and equipment, net of accumulated depreciation	636,622	-	-	636,622
Total Assets	<u>\$ 1,887,016</u>	<u>\$ 200,621</u>	<u>\$ -</u>	<u>\$ 2,087,637</u>
<u>LIABILITIES AND NET ASSETS</u>				
Liabilities				
Accounts payable	\$ 3,615	\$ -	\$ -	\$ 3,615
Accrued expenses	3,360	-	-	3,360
Deferred revenue	25,478	-	-	25,478
Total Liabilities	32,453	-	-	32,453
Net Assets	1,854,563	200,621	-	2,055,184
Total Liabilities and Net Assets	<u>\$ 1,887,016</u>	<u>\$ 200,621</u>	<u>\$ -</u>	<u>\$ 2,087,637</u>

See accompanying notes.

THE COMMUNITY FOOD BANK OF VICTORIA  
DBA FOOD BANK OF THE GOLDEN CRESCENT  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Donated commodities	\$ 3,568,117	\$ -	\$ -	\$ 3,568,117
USDA donated commodities	-	1,268,867	-	1,268,867
Contributions	261,305	374,480	-	635,785
Program service fees	393,609	-	-	393,609
Fundraising	218,497	-	-	218,497
Government grants and contracts	210,392	-	-	210,392
Dividend and interest income	12,120	-	-	12,120
Realized gains on sales of investments	8,469	-	-	8,469
Miscellaneous income	1,634	-	-	1,634
Unrealized losses on investments	(12,132)	-	-	(12,132)
Net assets released from restrictions	1,544,165	(1,544,165)	-	-
Total revenues, gains and other support	6,206,176	99,182	-	6,305,358
Expenses:				
Program expenses	6,068,086	-	-	6,068,086
Supporting services:				
Administrative	201,198	-	-	201,198
Fundraising	158,179	-	-	158,179
Total expenses	6,427,463	-	-	6,427,463
Decrease in Net Assets	(221,287)	99,182	-	(122,105)
Net Assets, December 31, 2014	1,854,563	200,621	-	2,055,184
Net Assets, December 31, 2015	\$ 1,633,276	\$ 299,803	\$ -	\$ 1,933,079

See accompanying notes.

THE COMMUNITY FOOD BANK OF VICTORIA  
DBA FOOD BANK OF THE GOLDEN CRESCENT  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains and other support:				
Donated commodities	\$ 3,937,058	\$ -	\$ -	\$ 3,937,058
USDA donated commodities	-	1,250,298	-	1,250,298
Contributions	311,545	287,067	-	598,612
Program service fees	438,071	-	-	438,071
Fundraising	215,045	-	-	215,045
Government grants and contracts	126,548	-	-	126,548
Realized gains on sales of investments	39,305	-	-	39,305
Dividend and interest income	19,223	-	-	19,223
Miscellaneous income	646	-	-	646
Unrealized loss on investments	(18,801)	-	-	(18,801)
Net assets released from restrictions	<u>1,776,780</u>	<u>(1,776,780)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	6,845,420	(239,415)	-	6,606,005
Expenses:				
Program expenses	6,566,101	-	-	6,566,101
Supporting services:				
Administrative	223,665	-	-	223,665
Fundraising	<u>152,956</u>	<u>-</u>	<u>-</u>	<u>152,956</u>
Total expenses	<u>6,942,722</u>	<u>-</u>	<u>-</u>	<u>6,942,722</u>
Decrease in Net Assets	(97,302)	(239,415)	-	(336,717)
Net Assets, December 31, 2013	<u>1,951,865</u>	<u>440,036</u>	<u>-</u>	<u>2,391,901</u>
Net Assets, December 31, 2014	<u><u>\$ 1,854,563</u></u>	<u><u>\$ 200,621</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,055,184</u></u>

See accompanying notes.



THE COMMUNITY FOOD BANK OF VICTORIA  
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STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2015

	Program Services	Supporting Services			Total Expenses
		Administrative	Fundraising	Total	
Food distributed	\$ 4,879,441	\$ -	\$ -	\$ -	\$ 4,879,441
Payroll expenses	629,156	5,562	44,136	49,698	678,854
Program expense	131,355	-	-	-	131,355
Food purchases	110,606	-	-	-	110,606
Fundraising expense	-	-	91,875	91,875	91,875
Depreciation expense	21,967	65,900	-	65,900	87,867
Transportation	68,218	921	1,700	2,621	70,839
Professional fees	-	63,440	-	63,440	63,440
Repairs and maintenance	47,517	8,485	566	9,051	56,568
Grant expense	55,261	-	558	558	55,819
Utilities	31,278	13,071	2,334	15,405	46,683
Office expense	25,674	11,595	4,141	15,736	41,410
Insurance	32,316	2,432	-	2,432	34,748
Miscellaneous	3,587	24,091	-	24,091	27,678
Food processing	16,341	-	-	-	16,341
Training	12,104	1,299	2,922	4,221	16,325
Dues and subscriptions	1,992	2,988	6,086	9,074	11,066
Postage	-	-	3,253	3,253	3,253
Volunteer recognition	666	1,353	62	1,415	2,081
Uniforms	607	61	546	607	1,214
	<u>\$ 6,068,086</u>	<u>\$ 201,198</u>	<u>\$ 158,179</u>	<u>\$ 359,377</u>	<u>\$ 6,427,463</u>

See accompanying notes.

THE COMMUNITY FOOD BANK OF VICTORIA  
DBA FOOD BANK OF THE GOLDEN CRESCENT  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2014

	Program Services	Supporting Services		Total	Total Expenses
		Administrative	Fundraising		
Food distributed	\$ 5,445,281	\$ -	\$ -	\$ -	\$ 5,445,281
Payroll expenses	565,888	24,611	48,057	72,668	638,556
Program expense	209,912	16	48	64	209,976
Depreciation expense	26,904	80,714	-	80,714	107,618
Food purchases	92,384	-	-	-	92,384
Fundraising expense	35	64	85,011	85,075	85,110
Transportation	70,280	913	1,724	2,637	72,917
Professional fees	5,286	56,172	-	56,172	61,458
Repairs and maintenance	41,954	7,294	274	7,568	49,522
Utilities	33,011	13,759	2,021	15,780	48,791
Office expense	20,109	9,042	3,240	12,282	32,391
Miscellaneous	3,683	24,732	-	24,732	28,415
Insurance	20,517	1,560	-	1,560	22,077
Food processing	12,139	-	-	-	12,139
Grant expense	10,709	-	260	260	10,969
Dues and subscriptions	1,770	2,781	5,629	8,410	10,180
Training	5,017	523	1,227	1,750	6,767
Postage	-	-	4,493	4,493	4,493
Uniforms	933	99	853	952	1,885
Volunteer recognition	289	1,385	119	1,504	1,793
	<u>\$ 6,566,101</u>	<u>\$ 223,665</u>	<u>\$ 152,956</u>	<u>\$ 376,621</u>	<u>\$ 6,942,722</u>

See accompanying notes.

THE COMMUNITY FOOD BANK OF VICTORIA  
DBA FOOD BANK OF THE GOLDEN CRESCENT  
STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities:</b>		
Decrease in net assets	\$ (122,105)	\$ (336,717)
Adjustments to reconcile net assets to net cash provided by (used in) operating activities		
Depreciation	87,867	107,618
Unrealized losses on investments	12,132	18,801
In-kind donations received	(5,605,869)	(5,934,933)
Food distributed to agencies	5,630,484	6,200,514
Decrease (increase) in:		
Accounts receivable	(38,195)	(25,057)
Other assets	7,781	1,879
Increase (decrease) in:		
Accounts payable	142,284	(17,359)
Accrued expenses	358	(23,110)
Deferred revenue	10,026	132
	<u>124,763</u>	<u>(8,232)</u>
Net cash provided by (used in) operating activities		
<b>Cash flows from investing activities:</b>		
Purchases of investments	(43,846)	(407,420)
Sale of investments	32,045	408,034
Purchases of property and equipment	<u>(151,516)</u>	<u>(20,954)</u>
Net cash used in investing activities	<u>(163,317)</u>	<u>(20,340)</u>
<b>Cash flows from financing activities:</b>	<u>-</u>	<u>-</u>
Net change in cash	(38,554)	(28,572)
Cash at beginning of year	<u>393,633</u>	<u>422,205</u>
Cash at end of year	<u><u>\$ 355,079</u></u>	<u><u>\$ 393,633</u></u>

See accompanying notes.

THE COMMUNITY FOOD BANK OF VICTORIA  
DBA FOOD BANK OF THE GOLDEN CRESCENT  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2015 and 2014

NOTE 1 – NATURE OF ACTIVITIES

The Community Food Bank of Victoria (Food Bank) is a Texas non-profit Corporation that operated originally as part of the Spirit of Youth of Victoria and then began its own operations as a separate entity on September 30, 1989. In order to identify better with its eleven county service area, the Food Bank began doing business as the Food Bank of the Golden Crescent. 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. 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 \$1,666,365 and \$2,441,007, (26% and 37% of revenues), for the years ended December 31, 2015 and 2014, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Food Bank prepares its financial statements under the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

Financial Statement Presentation

The Financial Accounting Standards Board (FASB) issued FASB ASC 958-205, "Not for Profit Entities-Presentation of Financial Statements." The Food Bank follows the provisions of FASB ASC 958-205. Under FASB ASC 958-205, the Food Bank is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets.

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

Temporarily restricted assets – Net assets subject to donor-imposed stipulations that may be met, either by actions of the organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the organization. Generally, the donors of these assets permit the Food Bank to use all or part of the income earned on any related investments for general or specific purposes.

THE COMMUNITY FOOD BANK OF VICTORIA  
DBA FOOD BANK OF THE GOLDEN CRESCENT  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2015 and 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

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

Cash and Cash Equivalents

For purposes of cash flows, the Food Bank considers investments available for current use with an initial maturity date of ninety days to be cash equivalents. The Food Bank maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limits of up to \$250,000 under the Federal Deposit Insurance Corporation (FDIC). Management believes it is not exposed to any significant risk on cash accounts.

Shared Maintenance Fees

The Food Bank receives fees from participating agencies to assist in the costs of distributing food. These shared maintenance fees are based on predetermined rates from \$0.03 to \$0.19 per pound.

Accounts Receivable

Accounts receivable represent amounts due from agencies and others and are stated at the amount the Food Bank expects to collect for shared maintenance fees and grants from government agencies. Provision for losses on receivables is made when considered necessary to maintain an adequate allowance to cover bad debts. Receivables are charged against the allowance when the Food Bank determines that payments will not be received. Any subsequent receipts are credited to the allowance. As of December 31, 2015 and 2014, management estimates that no reserve for losses on receivables is required.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. The unrealized gain or loss on investments is included as a component of investment income in the statements of activities. Investments in certificates of deposit with original maturities over three months are carried at fair value.

Reclassifications

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

THE COMMUNITY FOOD BANK OF VICTORIA  
DBA FOOD BANK OF THE GOLDEN CRESCENT  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2015 and 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Gifts or contributions of property and equipment are recorded at the asset's fair market value at the time received. Depreciation is calculated using the straight-line method over useful lives of the assets, ranging from five to fifteen years for vehicles, office furniture and equipment and ten to forty years for buildings and building improvements. It is in the Food Bank's policy to capitalize property and equipment over \$500. Lesser amounts are expensed. When items are disposed of, the cost and accumulated depreciation are eliminated from the records of accounts and any gains or losses are reported in the change in net assets.

Inventory

Inventory is stated at the lower of cost or market determined by the first-in, first-out method. Inventory consists of donated food and non-food items, purchased food, and commodities received from the United States Department of Agriculture (USDA). USDA and donated food and non-food items were valued at \$1.70 and \$1.72 per pound for the years ended December 31, 2015 and 2014, respectively. This valuation is based published fair market value derived from cost studies conducted by Feeding America. Purchased food is valued at the latest purchase price. USDA commodity inventory amounts as of December 31, 2015 and 2014 are restricted to distribution programs serving low-income families and individuals. Therefore, the value of these ending inventories is reflected as a temporarily restricted asset in the statement of financial position. Accordingly, the distribution of these commodities is reflected in the statement of activities as assets released from restriction.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. Restricted contributions are reported as increases in restricted net assets. When the restriction is met the amount is shown as a reclassification of restricted assets to unrestricted net assets. The Food Bank receives a significant amount of donated services from unpaid volunteers who assist in the warehouse. However, the value of these services has not been recognized in the statement of activities since they do not meet the criteria for recognition.

Allocation of Functional Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

THE COMMUNITY FOOD BANK OF VICTORIA  
DBA FOOD BANK OF THE GOLDEN CRESCENT  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2015 and 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Services

The Food Bank receives services donated from its members in carrying out the Food Bank's operations. However, no amounts have been recognized in the statement of activities since they do not meet the criteria for recognition. The Food Bank received 17,100 hours of services from 2,727 volunteers for the year ending December 31, 2015. The Food Bank received 17,300 hours of services from 2,689 volunteers for the year ending December 31, 2014. Volunteers assisted in sorting food items.

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 unrestricted net assets 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 as instructed net assets at that time.

Income Taxes

The Food Bank is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code and is classified as a publicly supported organization. Accordingly, no provision for income taxes had been made in the accompanying statements. The Food Bank's Form 990, Return of Organization Exempt from Income Tax, for the years ending 2012, 2013, and 2014 are subject to examination by the IRS, generally for three years after they were filed.

Compensated Absences

Employees of the Food Bank begin to accrue vacation benefits upon their first day of employment and are eligible to use this time upon receipt of their first paycheck. Vacation benefits are typically taken in the calendar year it was accrued, however up to 40 and 20 hours for full-time and part-time employees, respectively, is allowed to be carried over into the following fiscal period. Any unused vacation hours will be paid in full upon termination. Sick leave accumulates upon employment. For an employee to be eligible for paid sick leave, 90 days of service must be completed. All unused sick leave 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.

THE COMMUNITY FOOD BANK OF VICTORIA  
DBA FOOD BANK OF THE GOLDEN CRESCENT  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2015 and 2014

NOTE 3 – CONTINGENCIES

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

NOTE 4 – SUBSEQUENT EVENTS

Management of the Food Bank has evaluated subsequent events for disclosure through August 16, 2016, the date the financial statements were available to be issued.

NOTE 5 – INVESTMENTS

Investments consisted of the following as of December 31:

	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
<u>December 31, 2015</u>				
Mutual Funds	\$ 340,306	\$ --	\$ (12,347)	\$ 327,959
Certificate of Deposit	<u>102,401</u>	<u>--</u>	<u>--</u>	<u>102,401</u>
	<u>\$ 442,707</u>	<u>\$ --</u>	<u>\$ (12,347)</u>	<u>\$ 430,360</u>
 <u>December 31, 2014</u>				
Mutual Funds	\$ 328,683	\$ --	\$ (215)	\$ 328,468
Certificate of Deposit	<u>102,223</u>	<u>--</u>	<u>--</u>	<u>102,223</u>
	<u>\$ 430,906</u>	<u>\$ --</u>	<u>\$ (215)</u>	<u>\$ 430,691</u>

Net interest and dividend income for the years ending December 31, 2015 and 2014 were \$12,120 and \$19,223, respectively. Realized gains for the years ended December 31, 2015 and 2014 were \$8,469 and \$39,305, respectively.



THE COMMUNITY FOOD BANK OF VICTORIA  
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NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2015 and 2014

NOTE 6 – PROPERTY AND EQUIPMENT

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

	2015	2014
Equipment	\$ 887,347	\$ 880,331
Building	775,559	775,559
Construction in Progress	144,500	--
Land	22,064	22,064
	1,829,470	1,677,954
Less: Accumulated depreciation	(1,129,199)	(1,041,332)
Property and equipment, net	<u>\$ 700,271</u>	<u>\$ 636,622</u>

Depreciation expense for the years ended December 31, 2015 and 2014 totaled \$87,867 and \$107,618, respectively.

NOTE 7 – INVENTORY

Inventory consisted of the following as of December 31:

	2015		2014	
	Pounds	Dollars	Pounds	Dollars
Donated inventory:				
Donated inventory	218,834	\$ 372,018	268,084	\$ 461,104
USDA commodities	75,877	128,991	39,157	67,350
	<u>294,711</u>	<u>\$ 501,009</u>	<u>307,241</u>	<u>\$ 528,454</u>
Purchased food inventory:				
Purchased inventory	11,100	\$ 4,391	2,236	\$ 1,561
	<u>305,811</u>	<u>\$ 505,400</u>	<u>309,477</u>	<u>\$ 530,015</u>

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NOTE 8 – 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 (TEFAP). For the years ending December 31, 2015 and 2014, these commodities comprised approximately 23% and 21%, 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 36% and 35% of the assistance necessary to fund the administrative operations of the Food Bank for the years ending December 31, 2015 and 2014, respectively.

NOTE 9 – RETIREMENT PLAN

The Food Bank offers a 403(b) retirement plan available to all full-time employees once they have completed 90 days of employment. Those employees who are eligible to participate may contribute an elected percentage not to exceed 10% or a set amount withheld from their payroll check every pay period. The Food Bank will match 100% of the employee's contribution each pay period up to the budgeted amount for the year. Each employee is 100% vested in the Food Bank's match. Contributions made on behalf of employees totaled \$13,682 and \$14,970 for the years ending December 31, 2015 and 2014, respectively.

NOTE 10 – RESTRICTED NET ASSETS

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

	<u>2015</u>	<u>2014</u>
Commodities for distribution:		
USDA commodities	<u>\$ 128,991</u>	<u>\$ 67,350</u>
	128,991	67,350
Backpack program	121,971	108,471
Asset purchases	33,291	450
Transportation and food purchases	<u>15,550</u>	<u>24,350</u>
Total temporarily restricted net assets	<u>\$ 299,803</u>	<u>\$ 200,621</u>

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NOTE 11 – OPERATING LEASES

The Food Bank has non-cancelable operating leases, primarily for use of office equipment. This lease generally contains renewal options for various periods and requires the Food Bank to pay costs such as taxes, maintenance, and insurance. Total lease expense for 2015 was \$4,956. Future estimated minimum lease payments under operating leases that have remaining terms in excess of one year as of December 31, 2015 are:

<u>Year</u>	<u>Amount</u>
2016	\$ 4,956
2017	4,956
2018	4,593
2019	<u>1,118</u>
Total	<u>\$ 15,623</u>

NOTE 12 – FAIR VALUE MEASUREMENTS

The fair value measurement in accordance with current accounting standards, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted process in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). In order to increase the transparency of in financial reporting of fair value measurements, FASB noted that due to different degrees of subjectivity and reliability on fair value measurements between the hierarchy levels, additional information regarding level 3 investments and risks associated with various investments, additional clarification was necessary. In accordance with Accounting Standards Codification 820-10, disclosures for fair value are required to include:

- Transfers between level 1 and level 2 investments
- Activity in level 3 fair value measurements is enhanced
- Disaggregation from major asset category to major asset class

When determining the appropriate level of disaggregation, it is necessary to evaluate the activity of business sector, vintage, geographic concentration, credit quality and economic characteristics.

Level 1 Fair Value Measurements

These are inputs representing unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability at the measurement date.

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NOTE 12 – FAIR VALUE MEASUREMENTS (continued)

Level 2 Fair Value Measurements

These are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liability (for example interest rates, volatilities, credit risks and default rates) or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Fair Value Measurements

These are significant unobservable inputs that reflect an entity's own assumptions that market participants would use in pricing the assets or liabilities.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at December 31, 2015 and 2014.

The Food Bank's investments are reported at fair value in the accompanying statement of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Food Bank believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2015 and 2014

NOTE 12 – FAIR VALUE MEASUREMENTS (continued)

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 December 31, 2015 and 2014 are as follows:

	<u>Fair Value Measurements at Reporting Date Using</u>			
		Quoted Prices		
		In Active	Significant	Significant
		Markets for	Other	Unobservable
		Identical	Observable	Inputs
	Fair	Assets/ Liabilities	Inputs	Inputs
	Value	(Level 1)	(Level 2)	(Level 3)
<u>December 31, 2015</u>				
Mutual Funds	\$ 327,959	\$ 327,959	\$ --	\$ --
Certificate of Deposit	<u>102,401</u>	<u>102,401</u>	<u>--</u>	<u>--</u>
Total	<u>\$ 430,360</u>	<u>\$ 430,360</u>	<u>\$ --</u>	<u>\$ --</u>
<u>December 31, 2014</u>				
Mutual Funds	\$ 328,468	\$ 328,468	\$ --	\$ --
Certificate of Deposit	<u>102,223</u>	<u>102,223</u>	<u>--</u>	<u>--</u>
Total	<u>\$ 430,691</u>	<u>\$ 430,691</u>	<u>\$ --</u>	<u>\$ --</u>

To estimate their fair value, the Food Bank uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities (market approach).

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, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant Period	Contract Number	Total Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>				
Passed Through the Texas Health and Human Services Commission <u>The Food Distribution - Cluster</u> Texas Department of Agriculture Emergency Food Assistance Program (Food Commodities)	10.569	10/1/14-9/30/15	04006	\$ 1,207,226
Texas Department of Agriculture Emergency Food Assistance Program (Administrative Costs)	10.568	10/1/14-9/30/15	04006	72,306
<b>Total U.S. Department of Agriculture</b>				<u>1,279,532</u>
<b><u>U. S. Department of Health and Human Services</u></b>				
Passed Through the Texas Food Bank Network Supplemental Nutrition Assistance Program Education Community Based Outreach & Application Assistance Services	N/A N/A	10/1/14-9/30/15 10/1/14-9/30/15	HHSC-529-15-0081-00001 HHSC-529-06-0423-00013	79,312 58,774
<b>Total U.S. Department of Health and Human Services</b>				<u>138,086</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>				
Passed Through the Office of Community Planning and Development Community Development Block Grants/Entitlement Grants City of Victoria, Texas	14.218	10/1/14-9/30/16	B-13-MC-48-0510	12,000
<b>Total U.S. Department of Housing and Urban Development</b>				<u>12,000</u>
<b><u>U.S. Department of Homeland Security</u></b>				
Passed Through the United Way of America: Emergency Food and Shelter Program - Victoria County Emergency Food and Shelter Program - Gonzales County	97.024 97.024	11/1/14-10/31/15 11/1/14-10/31/15	842600-005 807800-002	7,500 3,000
<b>Total U.S. Department of Homeland Security</b>				<u>10,500</u>
<b>Total Expenditures of Federal Awards</b>				<u>\$ 1,440,118</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

THE COMMUNITY FOOD BANK OF VICTORIA  
DBA FOOD BANK OF THE GOLDEN CRESCENT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2015

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Community Food Bank of Victoria under programs of the federal government for the year ended December 31, 2015. The information in this schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Food Bank, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Food Bank. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in principles ( the Uniform Guidance and/or OMB Circular A-122, Cost Principles for Non-profit Organizations), 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 – RECONCILIATION OF FEDERAL AWARDS TO THE FINANCIAL STATEMENTS

Total expenditures of federal awards	\$ 1,440,118
Non-federal expenditures	<u>4,987,345</u>
Total expenses per statement of activities	<u>\$ 6,427,463</u>

The Food Bank considers all USDA and other donated foods distributed or used in a fiscal year as expended for purposes of the schedule of expenditures of federal awards. Therefore, there are differences in amounts reported on the statement of activities as revenues and amounts reported on the schedule of expenditures of federal awards as expenditures. The following table reconciles these amounts.

Total federal awards per the statement of activities	\$ 1,501,759
Change in USDA	<u>(61,641)</u>
Total expenditures of federal awards	<u>\$ 1,440,118</u>

THE COMMUNITY FOOD BANK OF VICTORIA  
DBA FOOD BANK OF THE GOLDEN CRESCENT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2015

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 December 31, 2015, the Food Bank had \$128,991 of USDA commodities in inventory.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Community Food Bank of Victoria (Food Bank), which comprise the statements of financial position as of December 31, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 16, 2016.

**Internal Control Over Financial Reporting**

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

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

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

**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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*GF Valdez, P.C.*

August 16, 2016

**GF Valdez, P.C.**

A Public Accounting Firm

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Corpus Christi, Texas 78411  
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY THE UNIFORM GUIDANCE

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

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

We have audited the Community Food Bank of Victoria's (Food Bank) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Food Bank's major federal programs for the year ended December 31, 2015. The Food Bank's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the 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 Food Bank's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Food Bank's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, the Food Bank's 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, 2015.

**Report on Internal Control Over Compliance**

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

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

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

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



August 16, 2016

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, 2015

A

**SUMMARY OF AUDIT RESULTS**

**Financial Statements**

Type of auditor's report issued: Unmodified

**Internal control over financial reporting:**

- Material Weakness Identified? No
- Significant Deficiencies identified not considered to be a material weakness? No
- Noncompliance material to the financial statements? No

**Federal Awards**

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

**Internal control over major programs:**

- Material Weakness Identified? No
- Significant Deficiencies identified not considered to be a material weakness? No
- Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, Section 501(a)? No

**Identificaion of major programs:**

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

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes

B

**FINDINGS RELATED TO FEDERAL AWARDS**

None

THE COMMUNITY FOOD BANK OF VICTORIA  
DBA FOOD BANK OF THE GOLDEN CRESCENT  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2014

A PRIOR YEAR FINDINGS - FINANCIAL STATEMENT AUDIT

None

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

None