

**THE COMMUNITY FOOD BANK OF VICTORIA**

**dba – Food Bank of the Golden Crescent**

*FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION*

*For the year ended December 31, 2008*



**THE COMMUNITY FOOD BANK OF VICTORIA**  
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*FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION*  
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**FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

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 assets, liabilities, and net assets – cash basis of The Community Food Bank of Victoria ( a nonprofit organization) as of December 31, 2008, and the related statements of revenues, expenses and other changes in net assets – cash basis and functional expenses – cash basis 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. The prior year summarized comparative information has been derived from the Organization's 2007 financial statements.

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.

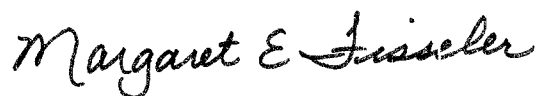
As described in Note 1, the Organization prepares its financial statements in the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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, 2008, and its revenues, expenses, and other changes in net assets for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our reports dated June 18, 2009, 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.

The Community Food Bank of Victoria  
dba – Food Bank of the Golden Crescent

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of The Community Food Bank of Victoria taken as a whole. The accompanying special-purpose schedule of functional expenses and 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*, are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Margaret E. Fisseler, CPA

Goliad, Texas  
June 18, 2009

**THE COMMUNITY FOOD BANK OF VICTORIA**

**dba-Food Bank of the Golden Crescent**

**STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS**

December 31, 2008

With comparative totals for December 31, 2007

|   | <u>2008</u>                      | <u>2007</u>                      |
|---|----------------------------------|----------------------------------|
| <b>ASSETS</b>                           |                                  |                                  |
| Current Assets                          |                                  |                                  |
| Cash and cash equivalents               | \$ 259,512                       | \$ 199,979                       |
| Cash-Donor restricted                   | 37,417                           | 85,143                           |
| Investments                             | 48,144                           | 55,434                           |
| Total current assets                    | <u>345,073</u>                   | <u>340,556</u>                   |
| Fixed assets                            |                                  |                                  |
| Land                                    | 22,064                           | 22,064                           |
| Equipment                               | 629,156                          | 639,241                          |
| Buildings                               | 651,647                          | 651,647                          |
| Total fixed assets                      | <u>1,302,867</u>                 | <u>1,312,952</u>                 |
| Accumulated depreciation                | <u>(584,055)</u>                 | <u>(526,026)</u>                 |
| Net fixed assets                        | <u>718,812</u>                   | <u>786,926</u>                   |
| Restricted assets - cash                | <u>844</u>                       | <u>5,726</u>                     |
| <b>Total assets</b>                     | <b><u><u>\$1,064,729</u></u></b> | <b><u><u>\$1,133,208</u></u></b> |
| <b>LIABILITIES AND NET ASSETS</b>       |                                  |                                  |
| Liabilities                             |                                  |                                  |
| Current                                 | <u>\$ -</u>                      | <u>\$ -</u>                      |
| Total Liabilities                       | <u>-</u>                         | <u>-</u>                         |
| Net Assets                              |                                  |                                  |
| Unrestricted                            | 1,026,468                        | 1,042,339                        |
| Temporarily restricted                  | 38,261                           | 90,869                           |
| Total net assets                        | <u>1,064,729</u>                 | <u>1,133,208</u>                 |
| <b>Total liabilities and net assets</b> | <b><u><u>\$1,064,729</u></u></b> | <b><u><u>\$1,133,208</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 REVENUES, EXPENSES AND OTHER CHANGES IN NET ASSETS - CASH BASIS*

*For the year ended December 31, 2008*

*With summarized financial information for the year ended December 31, 2007*

|  | <u>Unrestricted</u>        | <u>Temporarily<br/>Restricted</u> | <u>Total</u>               |                            |
|--|----------------------------|-----------------------------------|----------------------------|----------------------------|
|  |                            |                                   | <u>2008</u>                | <u>2007</u>                |
| <b>REVENUE AND OTHER SUPPORT</b>                   |                            |                                   |                            |                            |
| Program service fees                               | \$ 334,193                 | \$ -                              | \$ 334,193                 | \$ 252,203                 |
| Contributions                                      | 49,737                     | 80,948                            | 130,685                    | 196,253                    |
| Government grants and contracts                    | -                          | 96,040                            | 96,040                     | 90,664                     |
| Special events                                     | 130,803                    | -                                 | 130,803                    | 58,294                     |
| Net unrealized gain(loss) on long-term investments | (8,213)                    | -                                 | (8,213)                    | 10,033                     |
| Interest and dividends                             | 4,175                      | -                                 | 4,175                      | 12,178                     |
| Gain(loss) on disposition of assets                | (728)                      | -                                 | (728)                      | 4,725                      |
| Net assets released from restrictions:             |                            |                                   |                            |                            |
| Satisfied by payments                              | 223,870                    | (223,870)                         | -                          | -                          |
| Satisfied by purchase of long-lived assets         | 5,726                      | (5,726)                           | -                          | -                          |
| Total revenue and other support                    | <u>739,563</u>             | <u>(52,608)</u>                   | <u>686,955</u>             | <u>624,350</u>             |
| <b>EXPENSES AND OTHER PAYMENTS</b>                 |                            |                                   |                            |                            |
| Program services                                   |                            |                                   |                            |                            |
| Food distribution                                  | 512,034                    | -                                 | 512,034                    | 485,506                    |
| Supporting services                                |                            |                                   |                            |                            |
| Management and general                             | 88,556                     | -                                 | 88,556                     | 87,596                     |
| Fundraising  | 128,435                    | -                                 | 128,435                    | 92,961                     |
| Membership development                             | 26,409                     | -                                 | 26,409                     | 22,617                     |
| Total Supporting services                          | <u>243,400</u>             | <u>-</u>                          | <u>243,400</u>             | <u>203,174</u>             |
| Total expenses                                     | 755,434                    | -                                 | 755,434                    | 688,680                    |
| Contributions to governmental entities             | -                          | -                                 | -                          | -                          |
| Total expenses and other payments                  | <u>755,434</u>             | <u>-</u>                          | <u>755,434</u>             | <u>688,680</u>             |
| <b>Change in net assets</b>                        | <b>(15,871)</b>            | <b>(52,608)</b>                   | <b>(68,479)</b>            | <b>(64,330)</b>            |
| Beginning net assets                               | <u>1,042,339</u>           | <u>90,869</u>                     | <u>1,133,208</u>           | <u>1,197,538</u>           |
| <b>Ending net assets</b>                           | <u><u>\$ 1,026,468</u></u> | <u><u>\$ 38,261</u></u>           | <u><u>\$ 1,064,729</u></u> | <u><u>\$ 1,133,208</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 FUNCTIONAL EXPENSES - CASH BASIS

For the year ended December 31, 2008

With summarized financial information for the year ended December 31, 2007

|   | Program Services  |                        | Supporting Services |                  | Total             |                   |
|---|-------------------|------------------------|---------------------|------------------|-------------------|-------------------|
|   | Food Distribution | Management and General | Fund Raising        | Member Services  | 2008              | 2007              |
| <b>Salaries and Related Expenses</b>      |                   |                        |                     |                  |                   |                   |
| Salaries                                  | \$ 150,502        | \$ 54,192              | \$ 46,077           | \$ 14,174        | \$ 264,945        | \$ 262,300        |
| Employee health benefits                  | 16,025            | 5,731                  | 4,876               | 1,502            | 28,134            | 26,863            |
| Payroll taxes and other                   | 12,945            | 4,199                  | 3,571               | 1,099            | 21,814            | 31,436            |
| <b>Other Expenses</b>                     |                   |                        |                     |                  |                   |                   |
| Auto expense                              | 3,176             | -                      | -                   | -                | 3,176             | 2,784             |
| Grant expense                             | 6,920             | 460                    | -                   | 918              | 8,298             | 17,383            |
| Food Distribution                         |                   |                        |                     |                  |                   |                   |
| Purchases                                 | 40,320            | -                      | -                   | -                | 40,320            | 37,754            |
| Transportation                            | 73,170            | -                      | -                   | -                | 73,170            | 55,235            |
| Packaging                                 | 2,893             | -                      | -                   | -                | 2,893             | 2,946             |
| Insurance                                 | 19,556            | 3,224                  | 53                  | 53               | 22,886            | 22,511            |
| Maintenance                               | 22,084            | 585                    | -                   | -                | 22,669            | 10,284            |
| Miscellaneous                             | 7,210             | 1,290                  | -                   | -                | 8,500             | 10,581            |
| Office Expense                            | 6,310             | 6,891                  | 1,897               | 149              | 15,247            | 15,303            |
| Professional Fees                         | 6,284             | 6,856                  | -                   | -                | 13,140            | 12,403            |
| Public relations                          | 15,016            | -                      | -                   | 3,076            | 18,092            | 14,585            |
| Travel and conference                     | 9,243             | -                      | -                   | 3,566            | 12,809            | 12,635            |
| Utilities                                 | 43,248            | 2,711                  | 963                 | 485              | 47,407            | 37,912            |
| Waste disposal                            | 3,094             | 129                    | -                   | -                | 3,223             | 2,881             |
| Fundraising                               | -                 | -                      | 70,352              | -                | 70,352            | 33,492            |
| <b>Total expenses before depreciation</b> | <b>437,996</b>    | <b>86,268</b>          | <b>127,789</b>      | <b>25,022</b>    | <b>677,075</b>    | <b>609,288</b>    |
| Depreciation                              | 74,038            | 2,288                  | 646                 | 1,387            | 78,359            | 79,392            |
| <b>Total expenses</b>                     | <b>\$ 512,034</b> | <b>\$ 88,556</b>       | <b>\$ 128,435</b>   | <b>\$ 26,409</b> | <b>\$ 755,434</b> | <b>\$ 688,680</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**  
*NOTES TO FINANCIAL STATEMENTS*  
*For the year ended December 31, 2008*

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**NOTE 1: 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.

Basis of Accounting

The financial statements of the Food Bank are prepared using the cash basis of accounting. However, the Food Bank had employed certain modifications to the pure cash basis of accounting in the preparation of these statements. These modifications include recording depreciation on property and equipment, recording investments at fair value, and accruing payroll-related liabilities. The cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and primarily restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with the modified cash 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 \$55,120 as of year-end) and other foods donated by third-party suppliers. As donated assets are not recorded under the Food Bank's basis of accounting, the value of inventory on hand as of December 31, 2008 has not been included in the accompanying financial statements. Furthermore, the value of any food held in inventory as of year-end that had not been purchased from third-party suppliers was deemed immaterial and, as such, is not included in these statements.

**THE COMMUNITY FOOD BANK OF VICTORIA**  
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NOTES TO FINANCIAL STATEMENTS  
For the year ended December 31, 2008

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**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES** (continued)

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$500.00. 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 not recorded in the accompanying financial statements.

Contributed Services

Many individuals donate time to assist the organization in its food distribution programs. Management estimates that the Food Bank received more than 3,442 hours of volunteer labor in 2008. Because the nature of these services does not meet the criteria established by SFAS No. 116 for recognition, and due to the fact that the Food Bank uses the cash basis of accounting for financial reporting purposes, the value of these services has not been recorded in the accompanying statements.

Cash and Cash Equivalents

Management considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

In accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, 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 Revenues, Expenses, and Other Changes in Net Assets.

Revenue Recognition

To the extent allowed under the cash basis of accounting, the Food Bank accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, *Accounting for Contributions Received and Contributions 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.

Amounts billed to member agencies for food deliveries but for which payment has not been received or member agencies who pay in advance are not included in revenue in the accompanying statements. As of December 31, 2008, the Food Bank had prepaid member agency shared maintenance fees in the amount of \$4,657.

**THE COMMUNITY FOOD BANK OF VICTORIA**  
**dba – Food Bank of the Golden Crescent**

NOTES TO FINANCIAL STATEMENTS  
For the year ended December 31, 2008

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**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES** (continued)

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 Revenues, Expenses and Other Changes in Net Assets and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Federal Income Tax Status

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.

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 two weeks of vacation per year and part-time employees are granted one week of vacation per year. 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. 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. Each employee is entitled to five sick days per year that are not allowed to be rolled over between years and are not paid upon termination.

**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. As of December 31, 2008, the Food Bank had \$844 of cash on hand restricted to be used to purchase equipment. Amounts on deposit as of year-end that have been donor imposed limiting their use totaled \$37,417 as of December 31, 2008.

**NOTE 3: CASH AND CASH EQUIVALENTS**

The Food Bank maintains cash balances at one financial institution located in Victoria, Texas. As of December 31, 2008, all cash and cash equivalents consist of the following:

|                          |                  |
|--------------------------|------------------|
| Cash on Deposit          | \$ 176,688       |
| Money market mutual fund | <u>121,085</u>   |
|                          | <u>\$297,773</u> |

During 2008, 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, 2008, 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.

# THE COMMUNITY FOOD BANK OF VICTORIA

## dba – Food Bank of the Golden Crescent

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2008

### **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 are reinvested through a dividend reinvestment plan. The stock had a fair market value of \$48,144 at December 31, 2008. There was a cumulative unrealized gain on the stock at year-end of \$27,838. This investment is unrestricted as to its use.

Investment return for the current year is summarized as follows:

|                                       |                   |
|---------------------------------------|-------------------|
| Interest and dividend income          | \$ 1,311          |
| Unrealized gain (loss) on investments | <u>(8,213)</u>    |
| Total investment return               | <u>\$ (6,488)</u> |

### **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 seven cents (\$0.07) per pound. As of December 31, 2008, the Food Bank had prepaids in shared maintenance fees from its member agencies in the amount of \$4,657. Due to the method of accounting used by the Food Bank, this amount is not included in the accompanying financial statements.

### **NOTE 6: FIXED ASSETS**

The following is a summary of fixed asset activity for the year ended December 31, 2008:

|           | <u>1/1/08</u>      | <u>Additions</u> | <u>Deletions</u> | <u>12/31/08</u>    |
|-----------|--------------------|------------------|------------------|--------------------|
| Land      | \$ 22,064          | \$ -             | \$ -             | \$ 22,064          |
| Equipment | 639,241            | 11,014           | 21,099           | 629,156            |
| Buildings | 651,647            | -                | -                | 651,647            |
|           | <u>\$1,312,952</u> | <u>\$ 11,014</u> | <u>\$ 21,099</u> | <u>\$1,302,867</u> |

Depreciation expense for 2008 totaled \$78,360.

### **NOTE 7: GOVERNMENT GRANTS AND CONTRACTS**

During 2008, 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.

|                               |                  |
|-------------------------------|------------------|
| TEXCAP Administrative Costs   | \$ 76,284        |
| FEMA Food and Shelter Program | <u>19,756</u>    |
| Total                         | <u>\$ 96,040</u> |

**THE COMMUNITY FOOD BANK OF VICTORIA**  
**dba – Food Bank of the Golden Crescent**

*NOTES TO FINANCIAL STATEMENTS*  
*For the year ended December 31, 2008*

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**NOTE 7: GOVERNMENT GRANTS AND CONTRACTS** (continued)

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, 2008, the estimated market value of commodities received by the Food Bank under this program was \$648,317. Because these commodities are donated to the Food Bank, no revenues are recorded relative to the value of these items in the accompanying financial statements.

**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, 2008, 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, 2008.

**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 2008 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 11% of income received and food distributed by the Food Bank in 2008 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, 2009. 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.

**THE COMMUNITY FOOD BANK OF VICTORIA**

**dba – Food Bank of the Golden Crescent**

*NOTES TO FINANCIAL STATEMENTS*

*For the year ended December 31, 2008*

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**NOTE 11: RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets were available for the following purposes as of December 31, 2008:

|                                 |                  |
|---------------------------------|------------------|
| Transportation & Food Purchases | \$ 25,667        |
| Backpack Program                | 11,750           |
| Equipment                       | <u>844</u>       |
| Total                           | <u>\$ 38,261</u> |

No contributions were received during 2008 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. The Food Bank matches participants' contributions to the Plan dollar for dollar up to a maximum amount determined annually by the Board of Directors. In 2008 the maximum amount that could be contributed by the Food Bank in total to the Plan was \$15,100. Actual contributions made on behalf of employees totaled \$2,813 during 2008 through salary deferrals. Plan participants vest immediately in all contributions (employee and employer) made to the Plan on their behalf.

**NOTE 13 SUBSEQUENT EVENTS**

403(b) Retirement Plan

At year-end the Food Bank transitioned over to a new retirement plan investor. The transition was completed in March 2009. The liability at year-end for the retirement plan was \$4,400. The amount was paid March 2009.

**NOTE 14 SUMMARIZED FINANCIAL INFORMATION**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with the requirements of SFAS No. 117. Accordingly, such information should be read in conjunction with the Food Bank's financial statements for the year ended December 31, 2007, from which the summarized information was derived.

**FEDERAL PROGRAMS SECTION**

**THE COMMUNITY FOOD BANK OF VICTORIA**  
**dba - Food Bank of the Golden Crescent**  
*SPECIAL-PURPOSE SCHEDULE OF FUNCTIONAL EXPENSES*  
For the year ended December 31, 2008  
With comparative totals for the year ended December 31, 2007

|                                    | Program             | Supporting Services |                  |                  | Total              |                    |
|------------------------------------|---------------------|---------------------|------------------|------------------|--------------------|--------------------|
|                                    | Services            | Mgmt and            | Fund             | Member           | 2008               | 2007               |
|                                    | Food                | General             | Raising          | Services         |                    |                    |
|                                    | Distribution        |                     |                  |                  |                    |                    |
| Salaries and Related Expenses      |                     |                     |                  |                  |                    |                    |
| Salaries                           | \$ 150,502          | \$ 54,192           | \$ 46,077        | \$ 14,174        | \$ 264,945         | \$ 262,300         |
| Employee health benefits           | 16,025              | 5,731               | 4,876            | 1,502            | 28,134             | 26,863             |
| Payroll taxes and other            | 12,945              | 4,199               | 3,571            | 1,099            | 21,814             | 31,436             |
|                                    |                     |                     |                  |                  | -                  | -                  |
| Other Expenses                     |                     |                     |                  |                  |                    |                    |
| Auto expense                       | 3,176               | -                   | -                | -                | 3,176              | 2,784              |
| Grant expense                      | 6,920               | 460                 | -                | 918              | 8,298              | 17,383             |
| Food distribution                  |                     |                     |                  |                  |                    |                    |
| Purchases                          | 5,334,240           | -                   | -                | -                | 5,334,240          | 5,997,496          |
| Transportation                     | 73,170              | -                   | -                | -                | 73,170             | 55,235             |
| Packaging                          | 2,893               | -                   | -                | -                | 2,893              | 2,946              |
| Insurance                          | 19,556              | 3,224               | 53               | 53               | 22,886             | 22,511             |
| Maintenance                        | 22,084              | 585                 | -                | -                | 22,669             | 10,284             |
| Miscellaneous                      | 7,210               | 1,290               | -                | -                | 8,500              | 10,581             |
| Office Expense                     | 6,310               | 6,891               | 1,897            | 149              | 15,247             | 15,303             |
| Professional fees                  | 6,284               | 6,856               | -                | -                | 13,140             | 12,403             |
| Public relations                   | 15,016              | -                   | -                | 3,076            | 18,092             | 14,585             |
| Travel and conference              | 9,243               | -                   | -                | 3,566            | 12,809             | 12,635             |
| Utilities                          | 43,248              | 2,711               | 963              | 485              | 47,407             | 37,912             |
| Waste disposal                     | 3,094               | 129                 | -                | -                | 3,223              | 2,881              |
| Fundraising                        | -                   | -                   | 70,352           | -                | 70,352             | 33,492             |
| Total expenses before depreciation | 5,731,916           | 86,268              | 127,789          | 25,022           | 5,970,995          | 6,569,030          |
| Depreciation                       | 74,038              | 2,288               | 646              | 1,387            | 78,359             | 79,392             |
| Total expenses                     | <u>\$ 5,805,954</u> | <u>\$ 88,556</u>    | <u>\$128,435</u> | <u>\$ 26,409</u> | <u>\$6,049,354</u> | <u>\$6,648,422</u> |

This Schedule is prepared for the purpose of improving the comparability of the Community Food Bank of Victoria's ("Food Bank") reported functional expenses to those similar organizations that do not use the same basis of accounting. Because the Food Bank uses the modified cash basis of accounting and because the majority of its food inventory is donated, minimal food distribution costs are reported on the statement of functional expenses. Entities that use the accrual basis of accounting include all costs (i.e. the value of donated food as well as the cost of purchased food) in totals reported in their functional expense statements. To address this difference in reporting, this special purpose schedule includes an estimated value if the cost of all food (both donated and purchased) that was distributed during the current fiscal year. This estimate was arrived at by valuing total pounds distributed at the average price per gross pound suggested by Second Harvest. That suggested price is \$1.69 per pound. The amount reported above as food purchases reflects the estimated value of all food distributed during 2008.

**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, 2008*

| <b>Federal Grantor/Pass-through Grantor/<br/>Program Title</b> | <b>Federal<br/>CFDA<br/>Number</b> | <b>Agency or<br/>Pass-<br/>through<br/>Number</b> | <b>Federal<br/>Expenditures</b> |
|--|------------------------------------|---|---------------------------------|
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                          |                                    |   |                                 |
| <i>Passed Through Texas Department of Human Services</i>       |                                    |   |                                 |
| Emergency Food Assistance Program (TEXCAP Admin Costs)         | 10.568                             | 2357128   | \$ 76,284                       |
| Total passed through Texas Department of Human Services        |                                    |   | 76,284                          |
| <i>Passed Through Texas Department of Human Services</i>       |                                    |   |                                 |
| Emergency Food Assistance Program (TEXCAP Commodities)         | 10.569                             | 2357128   | 586,730                         |
| <i>Passed Through Victoria Independent School District</i>     |                                    |   |                                 |
| Emergency Food Assistance Program (TEXCAP Commodities)         | 10.569                             | N/A   | 28,607                          |
| <i>Passed Through the Boys Scouts</i>                          |                                    |   |                                 |
| Emergency Food Assistance Program (TEXCAP Commodities)         | 10.569                             | N/A   | 3,303                           |
| <i>Passed Through Corpus Christi Food Bank</i>                 |                                    |   |                                 |
| Emergency Food Assistance Program (TEXCAP Commodities)         | 10.569                             | N/A   | 29,677                          |
| <b>Total U.S. Department of Agriculture</b>                    |                                    |   | <u>724,601</u>                  |
| <b>DEPARTMENT OF HOMELAND SECURITIES</b>                       |                                    |   |                                 |
| <i>Passed Through Victoria County United Way</i>               |                                    |   |                                 |
| Emergency Food and Shelter National Board Program              | 97.024                             | 842600-005  | 6,800                           |
| <i>Passed Through DeWitt County United Way</i>                 |                                    |   |                                 |
| Emergency Food and Shelter National Board Program              | 97.024                             | 801600-003  | 3,570                           |
| <i>Passed Through Gonzales County United Way</i>               |                                    |   |                                 |
| Emergency Food and Shelter National Board Program              | 97.024                             | 807800-002  | 2,815                           |
| <i>Passed Through Colorado County United Way</i>               |                                    |   |                                 |
| Emergency Food and Shelter National Board Program              | 97.024                             | 796200-004  | 3,773                           |
| <i>Passed Through Lavaca County United Way</i>                 |                                    |   |                                 |
| Emergency Food and Shelter National Board Program              | 97.024                             | 832600-002  | 2,798                           |
| <b>Total Federal Emergency Management Agency</b>               |                                    |   | <u>19,756</u>                   |
| <b>Total Expenditures of Federal Awards</b>                    |                                    |   | <u><u>\$ 744,357</u></u>        |

The accompanying notes are an integral part of this schedule

**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, 2008*

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**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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Non-monetary assistance in the form of food commodities received under the USDA's Emergency Food Assistance Program is reported in this schedule at estimated fair market value.

Following is a reconciliation of governmental grant amounts reported herein to the amounts reported in Food Bank's cash basis financial statements for the year ending December 31, 2008:

|  |                  |
|--|------------------|
| Total expenditures of federal awards   | \$ 744,357       |
| Plus: Grant funds included in financial statements not included on schedule of expenditures: |                  |
| (1) Grant funds expended in previous year and received in current year:                      |                  |
| TEXCAP administrative grant  | 8,989            |
| Less: Grant funds included on schedule of expenditures not included in financial statements: |                  |
| (1) Non-cash federal awards:   |                  |
| USDA commodities   | ( 648,317)       |
| (2) Grant funds expended in current year not received until the following year:              |                  |
| TEXCAP administrative grant  | ( 5,861)         |
|  | <u>\$ 99,168</u> |

**SUPPLEMENTARY INFORMATION**

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

To the Board of Directors of  
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, 2008, and have issued our report thereon dated June 18, 2009. 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 control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

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*.

The Community Food Bank of Victoria  
dba – Food Bank of the Golden Crescent

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, the Board of Trustees, 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.

Goliad, Texas  
June 18, 2009

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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, 2008. 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 are applicable to each of its major federal programs for the year ended December 31, 2008.

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.

The Community Food Bank of Victoria  
dba – Food Bank of the Golden Crescent

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weakness. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weakness.

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

*Margaret E Jisseler*

Goliad, Texas  
June 18, 2009

**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, 2008*

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**SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of The Community Food Bank of Victoria.
2. No reportable conditions relating to the audit of the financial statements are reported in the Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of The Community Food Bank of Victoria, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed in the audit.
4. No reportable conditions relating to the audit of the major federal award program is reported in the auditor's report over compliance and internal control made in accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award program for The Community Food Bank of Victoria expresses an unqualified opinion on the major award program.
6. No audit findings relative to the major federal award program for The Community Food Bank of Victoria are required to be reported in accordance with section 510(a) of OMB Circular A-133 and are not included in this schedule.
7. The program tested as a major program is: Emergency Food Assistance Program cluster (10.568 and 10.569) and the Department of Homeland Security (97.024).
8. The threshold used for distinguishing between Type A and B programs was \$500,000.
9. The Community Food Bank of Victoria does actually qualify as a low-risk auditee.

**FINDINGS – FINANCIAL STATEMENT AUDIT**

NONE NOTED

**FINDINGS AND QUESTIONS COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT**

NONE NOTED