

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.

Annual Financial Report

For the Year Ended August 31, 2009

COASTAL BEND BAYS AND ESTUARIES PROGRAM, INC.
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2009

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LOVVORN & KIESCHNICK, LLP
418 Peoples Street, Suite 308
Corpus Christi, Texas 78401

Independent Auditor's Report

To the Board of Directors
Coastal Bend Bays & Estuaries Program, Inc.
Corpus Christi, Texas

We have audited the accompanying statement of financial position of Coastal Bend Bays & Estuaries Program, Inc. (a nonprofit organization) as of August 31, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Coastal Bend Bays & Estuaries Program, Inc. as of August 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2010, on our consideration of Coastal Bend Bays & Estuaries Program, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Coastal Bend Bays & Estuaries Program, Inc. taken as a whole. The accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State of Texas Uniform Grant and Contract Management Standards (UGCMS)*, and 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.

Lovvorn + Kieschnick, LLP

March 26, 2010

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COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.
STATEMENT OF FINANCIAL POSITION
August 31, 2009

ASSETS

Current assets

Cash	\$ 375,122
Cash - restricted (Note 6)	94,937
Short-term Investments - restricted (Note 6)	4,314,842
Prepaid Expenses	17,938
Grants receivable	724,536
Temporary Holding of Assets (Note 9)	<u>541,100</u>

Total current assets 6,068,475

Long term assets

Property and Equipment, net (Note 5)	<u>4,632,081</u>
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Total assets \$ 10,700,556

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$ 117,841
Note payable (Note 9)	541,100
Accrued expenses	<u>19,321</u>

Total current liabilities 678,262

Net assets

Unrestricted:	
Undesignated	625,970
Invested in Property and Equipment	<u>4,632,081</u>
Total Unrestricted	5,258,051
Temporarily restricted (Note 6)	<u>4,764,243</u>

Total net assets 10,022,294

Total liabilities and net assets \$ 10,700,556

See notes to financial statements.

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2009

	Unrestricted	Temporarily Restricted	Total
Public support and revenue			
Federal and State funded grant agreements (Note 2)	\$ -	\$ 1,885,291	\$ 1,885,291
Supplemental Environmental Project (SEP) (Note 6)	-	14,544	14,544
Local government contributions (Note 4)	302,500	-	302,500
Private non-profit corporate contributions	-	97,000	97,000
Interest income	877	28,867	29,744
Land Contribution - Habitat	19,200	-	19,200
In kind contributions (Note 3)	69,933	-	69,933
Other income	41,488	58	41,546
Net assets released from restrictions (Note 7)	1,933,499	(1,933,499)	-
	<u>2,367,497</u>	<u>92,261</u>	<u>2,459,758</u>
Expenses			
Federal and State funded grant agreements (Note 2)	1,889,182	-	1,889,182
General fund	302,527	-	302,527
In kind contributions (Note 3)	69,933	-	69,933
	<u>2,261,642</u>	<u>-</u>	<u>2,261,642</u>
Change in net assets	105,855	92,261	198,116
Net assets, August 31, 2008, as restated (Note 10)	5,152,196	4,671,982	9,824,178
Net assets, August 31, 2009	<u>\$ 5,258,051</u>	<u>\$ 4,764,243</u>	<u>\$ 10,022,294</u>

See notes to financial statements.

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2009

	Federal and State Funded	In Kind Contributions	General Fund	Total
Personnel				
Salaries	\$ 576,819	\$ -	\$ 38,016	\$ 614,835
Fringe Benefits				
Health and workers compensation insurance	70,094	-	-	70,094
Pension plan	36,459	-	-	36,459
Payroll taxes	48,951	-	523	49,474
Total personnel expenses	732,323	-	38,539	770,862
Travel, training, conferences	20,073	-	28,160	48,233
Supplies	24,388	-	11,715	36,103
Contractual	1,000,265	-	99,613	1,099,878
Other expenses				
Rent	-	26,400	-	26,400
Utilities	-	29,728	658	30,386
Maintenance	4,908	-	7,592	12,500
Telephone and Internet	2,254	246	920	3,420
Insurance expense	4,638	-	68	4,706
Equipment rental	13,628	-	6,339	19,967
Printing and duplication	12,615	-	4,682	17,297
Advertising	30,090	-	1,750	31,840
Professional services	24,051	-	52,476	76,527
Janitorial	-	2,609	-	2,609
Security	185	5,950	-	6,135
Data Processing	7,802	-	457	8,259
Dues and subscriptions	1,897	5,000	6,260	13,157
Temporary Staff	5,998	-	1,941	7,939
Registration fees	2,572	-	6,385	8,957
Postage and freight	1,364	-	-	1,364
Property Taxes	-	-	5,402	5,402
Miscellaneous	131	-	20,754	20,885
Depreciation	-	-	8,816	8,816
Total expenses	\$ 1,889,182	\$ 69,933	\$ 302,527	\$ 2,261,642

See notes to financial statements.

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2009

Cash flows from operating activities	
Changes in net assets	\$ 198,116
Adjustments to reconcile change in net assets to net cash flow from operating activities:	
Depreciation	8,816
Donated Land	(19,200)
Income Temporarily Restricted	(23,921)
 (Increase) decrease in operating assets:	
Grants Receivable	(47,843)
Prepaid Expenses	(11,336)
Cash - Restricted	(456)
Short-term Investments- Restricted	(28,412)
 Increase (decrease) in operating liabilities:	
Accounts payable and other payables	2,052
Accrued Expenses	(16,116)
	<hr/>
Net cash provided by operating activities	61,700
 Cash flows from investing activities	
Purchase of Property	(37,765)
Purchase of US Treasury Bills	(8,275,000)
Sale of US Treasury Bills	8,275,000
Acquisition of Land - Temporary Holding of Assets	(541,100)
	<hr/>
Net cash provided (used) by investing activities	(578,865)
 Cash flows from financing activities	
Proceeds from Land Loan - Temporary Holding of Assets	541,100
Income temporarily restricted	23,921
	<hr/>
Net cash provided by financing activities	565,021
 Net increase in cash	 47,856
 Cash	
Cash at the beginning of the year	<hr/> 327,266
 Cash at the end of the year	 <u><u>\$ 375,122</u></u>

Noncash Investing Activities:

During this past year, the organization received \$19,200 noncash capital contributions consisting of habitat land.

See notes to financial statements.

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Coastal Bend Bays & Estuaries Program, Inc. is a nonprofit Texas corporation chartered in August 1999. The Organization was organized to implement the Coastal Bend Bays Plan, which seeks to ensure that the Coastal Bend bays and estuaries remain a vibrant part of the region's environmental and economic landscape by preserving and enhancing their roles as a recreational resource, international seaport, and habitat for fish and wildlife.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual method of accounting.

Financial Statement Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of funding entity-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to funding entity-imposed restrictions.

Temporarily restricted net assets - Net assets subject to funding entity-imposed stipulations that may or will be met, either by actions of the Organization and/or 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 funding entity-imposed stipulations that they be maintained permanently by the Organization. Generally, the grantor of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Contributions

Contributions are recognized as revenue when they are received or unconditionally pledged. All contributions are available for unrestricted use unless specifically restricted by the donor.

Use of Estimates

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

Revenue Accounting

Government grants are recognized as revenue in the period of related expenses. Therefore, unreimbursed expenses are accrued as accounts receivable and excess reimbursements are accrued as a liability, to be refunded to the government.

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment are stated at cost or donated value. Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Office Buildout Amortization	5
Classroom Structure and Improvements	25
Equipment	5-10

Government Grant Revenues

Substantially all of the Organization's public support and revenues are from various government grants. Federal funds and state funds are provided through the Texas Commission On Environmental Quality, U.S. Fish & Wildlife Service and U.S. Environmental Protection Agency. Local funds are provided by the City of Corpus Christi, Port of Corpus Christi, San Patricio County, City of Portland, City of Ingleside, City of Port Aransas, City of Aransas Pass and Nueces County.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The cash restricted is not considered to be a cash equivalent for purposes of the statement of cash flows.

Federal Income Tax Accounting

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, an annual return must be filed for each calendar year on Form 990, Return of Organization Exempt from Income Tax, to report details of operations and financial position.

Donated Materials, Equipment and Services (In Kind Services)

Donated materials and equipment and donated services are recorded as contributions at their estimated values at the date of receipt.

Concentrations of Credit Risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed to completely perform as contracted. Management believes the likelihood of incurring material losses due to concentration of credit risk is remote. The principal financial instruments subject to credit risk are as follows:

The Organization's cash and cash - restricted are deposited with a financial institution (bank). The cash deposited exceeds the FDIC (Federal Deposit Insurance Corporation) insured limits and is not secured by any other collateral.

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments are carried at estimated fair value based on quoted market prices. As of August 31, 2009, investments consisted of U.S. Treasury bills with an estimated fair value of \$4,146,556 and Certificates of Deposits \$168,286.

2. FEDERAL AND STATE FUNDED GRANT AGREEMENTS

CBBEP has ongoing grants with the following State and Federal Agencies:

- Texas Commission On Environmental Quality
- Texas General Land Office
- Texas Parks and Wildlife
- United States Fish and Wildlife Service
- United States Environmental Agency Region VI (two grants)
- United States Environmental Agency Region IV (Gulf of Mexico program)

3. IN KIND CONTRIBUTION AGREEMENT

Agreement between the Port of Corpus Christi Authority of Nueces County, Texas (Authority) and the Coastal Bend Bays & Estuaries Program, Inc. (CBBEP). The Authority will provide CBBEP with certain services to support the management and operation of CBBEP. Services provided include office space, office furniture, telephones, and access to the local area network.

4. LOCAL GOVERNMENT CONTRIBUTIONS

As of August 31, 2009 the Organization had received the following contributions from local sources:

City of Corpus Christi	\$ 75,000
Port of Corpus Christi	75,000
Port Industries	75,000
San Patricio County	30,000
Nueces County	15,000
City of Rockport	7,500
Aransas County	5,000
City of Aransas Pass	5,000
City of Ingleside	5,000
City of Port Aransas	5,000
City of Portland	5,000
Total Contributions	\$302,500

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2009

5. PROPERTY AND EQUIPMENT

Property and equipment at August 31, 2009 consisted of the following:

Land (Habitat)	\$ 4,565,962
Office Build Out	166,184
Classroom Structure and Improvements	37,765
Equipment	<u>77,271</u>
Total	\$ 4,847,182
Less accumulated depreciation and amortization	<u>(215,101)</u>
 Property and equipment, net	 <u>\$ 4,632,081</u>

Land (Habitat) – The Coastal Bend Bays & Estuaries Program Inc. acquires real property interests in wetlands and associated uplands to ensure that the real property will be administered for the long-term conservation of such lands and waters and the migratory birds and fish and other wildlife dependent thereon.

Office Build Out – The Port of Corpus Christi Authority of Nueces County, Texas (Authority) contributes office space to the Coastal Bend Bays & Estuaries Program, Inc. (CBBEP) (see note 3). The Authority spent \$166,184 "building out" the office space provided to CBBEP. CBBEP amortized the "build out" over five years. The amortization was complete in 2004.

Conservation Easements – CBBEP holds third-party conservation easements on 857.055 acres of property owned by various local governments. These properties were acquired by local governments for use as parks and protected green space. The conservation easements were donated at no cost to CBBEP in order to satisfy the requirements of the grants used by local governments to purchase the properties. No values have been placed on these easements.

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes as of August 31, 2009:

Court Ordered Condition of Probation (COCP):

In February, 2003, the CBBEP received from the United States District Court for the Southern District of Texas, Corpus Christi Division, funds to develop, in coordination with the TCEQ and the U.S. Environmental Protection Agency (EPA), water quality remediation projects in and around Corpus Christi. Specifically, the CBBEP will implement the COCP project: "Preservation and Enhancement of Wetlands and Wildlife Habitats in the Nueces River Delta." The CBBEP maintains these funds in a separate interest-bearing account used exclusively for such funds. The source of these funds are as a result of a felony conviction which required a Company to pay the funds for this project as a condition of probation for a criminal conviction.

\$ 4,376,697

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2009

6. TEMPORARILY RESTRICTED NET ASSETS (continued)

Shamrock Island Habitat Protection & Enhancement Project	
In June, 2004, the CBBEP received monies for the enhancement of colonial waterbird habitat on Shamrock Island in Nueces County, which has experienced significant loss of wetland and rookery habitat due to dredging activities and erosion from waves and ships. This project will satisfy required mitigation for the seagrasses that will be impacted by activities near Packery Channel. Funds are provided by the City of Corpus Christi.	249,894
City of Corpus Christi Grant	
Digital Elevation Model of the Nueces Delta	
In August 2006, CBBEP received monies for the Digital Elevation Model of the Nueces Delta project. This project will be used to develop a research-quality digital elevation model that will be used to better understand how vegetation assemblages are correlated with elevation; map habitats in conjunction with aerial photography; and design freshwater diversion projects. Initial grant is \$120,733.	30,305
Audubon CW Habitat Mgt	7,078
National Fish and Wildlife Foundation	65,817
Nueces Delta	34,452
Total Temporarily Restricted Net Assets	\$ 4,764,243

7. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes by donors as follows:

Environmental projects funded by federal and state grants	\$ 1,920,364
Private non-profit corporate grant	13,135
Total	\$ 1,933,499

8. RETIREMENT PLAN

The Organization sponsors a simplified employee pension (SEP) in accordance with section 408(k) of the Internal Revenue Code. All employees who are at least 19 years old and whose total compensation during the Plan Year (Organization's fiscal year) is \$400 or more are eligible participants. The plan provides that the Organization make discretionary contributions in each Plan Year to the Individual Retirement Accounts of all eligible employees. For the year ended August 31, 2009, the Organization contributed 6% of the gross compensation of all eligible employees for a total contribution of \$36,459.

9. TEMPORARY HOLDING – OSO NATURE PARK

On March 9, 2009, the Organization entered into a contract with the City of Corpus Christi, to temporarily acquire 48.91 acres of property near Oso Bay from the Trust for Public Land (TPL). The intent of the contract was to sell the property to the City when the City received grant money for the acquisition of the property which was to be used as a nature center and maintained by the City's Parks and Recreation Department. On March 9, 2009 the Organization borrowed \$541,100 from Wells Fargo Bank and purchased the property. The note was secured by "Court Ordered Condition of Probation" funds. On November 15, 2009, the maturity date of the promissory note, the City paid off the note, including accrued interest, and the title for the property was transferred to the City.

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2009

10. RESTATEMENT OF BEGINNING NET ASSETS

During the year, management determined that prior year ending Capital Assets were understated. Beginning Net Assets have been restated as follows:

	NET ASSETS		
	Unrestricted	Temporarily Restricted	Total
Beginning balance, as previously reported	5,140,911	4,671,982	9,812,893
Property and Equipment restatement	11,285	-	11,285
Beginning balance, as restated	5,152,196	4,671,982	9,824,178

LOVVORN & KIESCHNICK, LLP
418 Peoples Street, Suite 308
Corpus Christi, Texas 78401

Independent Auditor's Report

Report on Internal Control over Financial Reporting and Compliance
and other Matters Based on an Audit of Financial Statements Performed
In Accordance with Government Auditing Standards

To The Board of Directors
Coastal Bend Bays & Estuaries Program, Inc.
Corpus Christi, Texas

Members of the Board:

We have audited the basic financial statements of Coastal Bend Bays & Estuaries Program, Inc. (a nonprofit organization) as of and for the year ended August 31, 2009, and have issued our report thereon dated March 26, 2010. 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, and the provisions of the State of Texas, *Uniform Grant and Contract Management Standards* (UGCMS).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization'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 Organization'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 the 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 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 Organization's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 and UGCMS*.

This report is intended solely for the information and use of management, others within the organization, the Texas Commission On Environmental Quality, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Lovvorn + Kieschnick, LLP

March 26, 2010

LOVVORN & KIESCHNICK, LLP
418 Peoples Street, Suite 308
Corpus Christi, Texas 78401

Independent Auditor's Report

Report on Compliance with Requirements Applicable
To Each Major Program and Internal Control over Compliance
In Accordance with OMB Circular A-133

To The Board of Directors
Coastal Bend Bays & Estuaries Program, Inc.
Corpus Christi, Texas

Members of the Board:

Compliance

We have audited the compliance of Coastal Bend Bays & Estuaries Program, Inc. (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* and the provisions of the State of Texas *Uniform Grant and Contract Management Standards (UGCMS)* that are applicable to each of its major federal and state programs for the year ended August 31, 2009. The Organization's major federal and state programs are identified in the summary of auditor's result section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of the major federal and state programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization'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*; and the provisions of the State of Texas, *Uniform Grant and Contract Management Standards (UGCMS)*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about Coastal Bend Bays & Estuaries Program, Inc.'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 Organization's compliance with those requirements.

In our opinion, Coastal Bend Bays & Estuaries Program, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended August 31, 2009.

Internal Control Over Compliance

The management of Coastal Bend Bays & Estuaries Program, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Organization's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal or state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirement of a federal or state program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance 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 that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the organization, the Texas Commission on Environmental Quality, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Lovvorn + Kieschnick, LLP

March 26, 2010

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2009

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.456	National Estuary Program

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

Auditee qualified as low-risk auditee? X Yes _____ No

3. State Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported

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

Any audit findings disclosed that are required to be reported in accordance with State of Texas Single Audit Circular _____ Yes X No

Identification of major programs:

<u>Grant Number</u>	<u>Name of State Program</u>
582-6-70861	Texas Commission On Environmental Quality
582-8-80177	Texas Commission On Environmental Quality
582-9-91758	Texas Commission On Environmental Quality

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

Auditee qualified as low-risk auditee? X Yes _____ No

B. Financial Statement Findings

NONE

C. Federal/State Award Findings and Questioned Costs

NONE

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED AUGUST 31, 2009

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
N/A - No Prior Findings		

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.
CORRECTIVE ACTION PLAN
YEAR ENDED AUGUST 31, 2009

<u>Program</u>	<u>Corrective Action Plan</u>
N/A	No Corrective Action Required

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2009

Grantor Agency/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
U.S. Fish and Wildlife Service			
Direct Programs:			
Habitat and Artificial Reefs	15.630	1448-20181-01-G942	15,000
Habitat and Artificial Reefs	15.630	1448-20181-07-J833	50,912
Habitat and Artificial Reefs	15.630	1448-20181-09-J810	4,000
	Total CFDA Number 15.630		<u>\$ 69,912</u>
Pass-Through Program From:			
National Fish and Wildlife Foundaton			
Habitat and Preditor Removal	15.000	2006-0089-006	34,000
Total U.S. Fish and Wildlife Service			<u>\$ 103,912</u>
U.S. Environmental Protection Agency			
Direct Programs:			
National Estuary Program	66.456	CE-98685804	2,400
National Estuary Program	66.456	CE-98685805	56,363
National Estuary Program	66.456	CE-98685806	34,723
National Estuary Program	66.456	CE-98685807	56,661
National Estuary Program	66.456	CE-98685808	383,642
	Total CFDA Number 66.456		<u>\$ 533,789</u>
Gulf of Mexico Program	66.606	MX-96423705-2	33,115
Pass-Through Program From:			
Texas Commission of Environmental Quality			
Nonpoint Source Implementation Grant	66.460	99614611	90,773
Total U.S. Environmental Protection Agency			<u>\$ 657,677</u>
U.S. Department of Commerce, National Oceanic and Atmospheric Administration (NOAA)			
Pass-Through Program From:			
Texas GLO - Coastal Management			
Texas Coastal Management Program	11.419	NA07NOS4190144	6,463
Texas Coastal Management Program	11.419	NA08NOS4190458	71,537
	Total CFDA Number 11.419		<u>\$ 78,000</u>
Total U.S. Department of Commerce, NOAA			<u>\$ 78,000</u>
U.S. Department of Interior, Bureau of Reclamation			
Direct Programs:			
Nueces Estuarine Marsh System - Integrative Data Syn.	15.534	07FG602243	20,732
Total U.S. Department of Interior, Bureau of Reclamation			<u>\$ 20,732</u>
Total Federal Financial Assistance			<u>\$ 860,321</u>

The accompanying notes are an integral part of this schedule.

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended August 31, 2009

Note 1: Federal Assistance Reconciliation

Federal Expenditures per Schedule of Expenditures of Federal Awards	\$ 860,321
Capitalization of Assets Purchased - Land	-
Federal Expenses on Statement of Activities	\$ 860,321

Note 2: Significant Accounting Policies Used In Preparing the Schedule

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Coastal Bend Bays & Estuaries Program, Inc. and is presented on the full 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 general purpose financial statements.

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 For the Year Ended August 31, 2009

<u>Grantor Agency/Program Title</u>	<u>Grant Contract Number</u>	<u>Expenditures</u>
Texas Commission On Environmental Quality	582-6-70861	\$ 16,725
	582-6-70861	477,233
	582-8-80177	98,693
	582-8-80177	399,211
	582-9-91758	6,500
		<u>\$ 998,362</u>
Texas Parks & Wildlife Department	52-000445	\$ 25,999
	29X20638	4,500
		<u>30,499</u>
Total State Financial Assistance		<u>\$ 1,028,861</u>

The accompanying notes are an integral part of this schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS

Note 1: State Assistance Reconciliation

State Expenditures per Schedule of Expenditures of State Awards	\$ 1,028,861
Capitalization of Assets Purchased - Land	-
State Expenses on Statement of Activities	<u>\$ 1,028,861</u>

Note 2: Significant Accounting Policies Used In Preparing the Schedule

The accompanying schedule of expenditures of state awards includes the state grant activity of Coastal Bend Bays & Esturaries Program, Inc. and is presented on the full accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of State of Texas, UGCMS. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.