

**COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.**

**Annual Financial Report**

**For the Year Ended August 31, 2016**



**Lovvorn & Kieschnick**

CERTIFIED PUBLIC ACCOUNTANTS

LOVVORN & KIESCHNICK, LLP

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COASTAL BEND BAYS AND ESTUARIES PROGRAM, INC.  
 ANNUAL FINANCIAL REPORT  
 YEAR ENDED AUGUST 31, 2016

Table of Contents

	Page
Independent Auditor’s Report .....	1
Financial Statements:	
Statement of Financial Position .....	3
Statement of Activities .....	4
Statement of Functional Expenses .....	5
Statement of Cash Flows .....	6
Notes to Financial Statements .....	7
Single Audit Section:	
Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i> .....	13
Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Title 2 CFR Part 200 (Uniform Guidance).....	15
Schedule of Findings and Questioned Costs .....	17
Summary Schedule of Prior Audit Findings .....	19
Corrective Action Plan .....	20
Schedule of Expenditures of Federal Awards .....	21
Notes to Schedule of Expenditures of Federal Awards .....	23
Schedule of Expenditures of State Awards .....	24
Notes to Schedule of Expenditures of State Awards .....	24

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**Lovvorn & Kieschnick, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of Coastal Bend Bays and Estuaries Program, Inc. (a nonprofit organization) which comprise the statement of financial position as of August 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

***Management Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

## *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Coastal Bend Bays and Estuaries Program, Inc. as of August 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and is not required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2017, on our consideration of Coastal Bend Bays and Estuaries Program, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Coastal Bend Bays and Estuaries Program Inc.'s internal control over financial reporting and compliance.

*Lovvorn & Kieschnick, LLP*

Lovvorn & Kieschnick, LLP  
May 22, 2017

**COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**August 31, 2016**

**ASSETS**

**Current assets**

Cash		\$ 2,486,445
Cash - restricted (Note 5)		3,725,587
Investments - Short-term - restricted (Note5)		195,550
Prepaid Items		15,837
Grants receivable		<u>2,123,067</u>

Total current assets 8,546,486

**Other Assets**

Lease Security Deposit		6,169
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**Long term assets**

Property and Equipment, net (Note 4)		
Land (Habitat) - Deed Restricted	11,892,992	
Other	<u>156,300</u>	<u>12,049,292</u>

Total assets \$ 20,601,947

**LIABILITIES AND NET ASSETS**

**Current liabilities**

Accounts payable		\$ 403,974
Accrued expenses		59,517
Unearned Revenue		<u>12,819</u>

Total current liabilities 476,310

**Net assets**

Unrestricted:		
Undesignated		4,155,208
Invested in Property and Equipment		
Land (Habitat) - Deed Restricted	11,892,992	
Other	<u>156,300</u>	<u>12,049,292</u>
Total Unrestricted		16,204,500
Temporarily restricted (Note 5)		<u>3,921,137</u>

Total net assets 20,125,637

Total liabilities and net assets \$ 20,601,947

See notes to financial statements.

**COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended August 31, 2016**

	Unrestricted	Temporarily Restricted	Total
<b>Public support and revenue</b>			
Federal and State funded grant agreements (Note 2)	\$ -	\$ 2,201,737	\$ 2,201,737
Local Partner contributions (Note 3)	404,461	-	404,461
Interest income	1,034	2,615	3,649
Other income:			
Port of Corpus Christi Authority of Nueces	450,000	-	450,000
Kleberg Foundation	100,000	-	100,000
NRDA	-	2,880,813	2,880,813
United Fire Group	275,000	-	275,000
Other income	113,714	803,512	917,226
Net assets released from restrictions (Note 6)	5,483,028	(5,483,028)	-
<b>Total public support and revenue</b>	<b>6,827,237</b>	<b>405,649</b>	<b>7,232,886</b>
<b>Expenses</b>			
Federal and State funded grant agreements (Note 2)	2,201,737	-	2,201,737
Management and General	871,857	-	871,857
<b>Total expenses</b>	<b>3,073,594</b>	<b>-</b>	<b>3,073,594</b>
Change in net assets	3,753,643	405,649	4,159,292
Net assets, August 31, 2015, as restated (Note 9)	12,450,857	3,515,488	15,966,345
<b>Net assets, August 31, 2016</b>	<b>\$ 16,204,500</b>	<b>\$ 3,921,137</b>	<b>\$ 20,125,637</b>

See notes to financial statements.



**COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2016**

	Federal and State Funded	Management & General	Total
<b>Personnel</b>			
Salaries	\$ 659,691	\$ 92,203	\$ 751,894
<b>Fringe Benefits</b>			
Health and workers compensation insurance	82,541	7,945	90,486
Pension plan	53,998	3,933	57,931
Payroll taxes	56,741	6,094	62,835
Total personnel expenses	<u>852,971</u>	<u>110,175</u>	<u>963,146</u>
Travel, training, conferences	21,535	31,933	53,468
Supplies	29,615	34,148	63,763
Contractual	<u>1,178,056</u>	<u>450,353</u>	<u>1,628,409</u>
<b>Other expenses</b>			
Advertising	-	-	-
Data Processing	3,812	793	4,605
Depreciation	-	31,457	31,457
Dues and subscriptions	4,901	7,311	12,212
Equipment < \$1000	3,324	1,279	4,603
Equipment rental	6,545	2,713	9,258
Insurance expense	39,895	15,755	55,650
Janitorial	969	81	1,050
Maintenance	5,435	22,930	28,365
Miscellaneous	1,301	24,946	26,247
Office Lease	-	72,918	72,918
Postage and freight	475	30	505
Printing and duplication	4,080	-	4,080
Professional services	12,169	30,117	42,286
Property Taxes	-	4,080	4,080
Registration fees	6,880	3,718	10,598
Sponsorship	-	14,910	14,910
Telephone and Internet	5,828	12,210	18,038
Temporary Staff	20,743	-	20,743
Utilities	3,203	-	3,203
Total Other expenses	<u>119,560</u>	<u>245,248</u>	<u>364,808</u>
Total expenses	<u>\$ 2,201,737</u>	<u>\$ 871,857</u>	<u>\$ 3,073,594</u>

See notes to financial statements.

**COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

<b>Cash flows from operating activities</b>	
Changes in net assets	\$ 4,159,292
Adjustments to reconcile change in net assets to net cash flow from operating activities:	
Depreciation	31,457
 (Increase) decrease in operating assets:	
Grants Receivable	(1,382,320)
Prepaid Expenses	8,344
Cash - Restricted	(2,436,950)
 Increase (decrease) in operating liabilities:	
Accounts payable and other payables	220,490
Accrued Expenses	32,208
Unearned Revenue	(84,915)
	547,606
 Net cash provided by operating activities	547,606
 <b>Cash flows from investing activities</b>	
Purchase of Property	(2,480,613)
Repayment of Note Receivable	2,811,560
	330,947
 Net cash provided (used) by investing activities	330,947
 <b>Cash flows from financing activities</b>	
Transfer from investments	335,532
	335,532
 Net cash provided by financing activities	335,532
 Net increase in cash	1,214,085
 <b>Cash</b>	
Cash at the beginning of the year	1,272,360
	1,272,360
Cash at the end of the year	\$ 2,486,445
	\$ 2,486,445
 Noncash Investing Activities:	
Contribution of Property and Equipment	\$ -

See notes to financial statements.

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2016

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, 2016

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>
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, 2016

Investments

Following is a summary of investments stated a fair value held by the Organization as of August 31, 2016.

Money Market	195,550
Total Investments	195,550

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 Protection Agency Region VI (two grants)

3. LOCAL PARTNER CONTRIBUTIONS

As of August 31, 2016, the Organization had received the following contributions from local sources:

Port of Corpus Christi	\$163,750
Port Industries	75,000
City of Corpus Christi	75,000
City of Portland	42,211
San Patricio County	30,000
City of Rockport	7,500
Nueces County	6,000
City of Ingleside	5,000
Total Contributions	\$404,461

4. PROPERTY AND EQUIPMENT

Property and equipment at August 31, 2016 consisted of the following:

Land (Habitat) – Deed Restricted	\$ 11,892,992
Classroom Structure and Improvements	63,683
Equipment	244,877
Total	\$ 12,201,552
Less accumulated depreciation and amortization	(152,260)
Property and equipment, net	\$ 12,049,292

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC  
 NOTES TO THE FINANCIAL STATEMENTS  
 AUGUST 31, 2016

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.

Conservation Easements – CBBEP holds third-party conservation easements on 983.00 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.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes as of August 31, 2016:

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 purposes. The source of these funds is 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.

\$ 3,725,241

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.

116,549

City of Portland SEP

44,951

Tortuga Dunes

20,000

Kate’s Hole

12,852

Other Grants

1,544

Total Temporarily Restricted Net Assets

\$ 3,921,137

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2016

6. 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	\$2,201,737
Private non-profit corporate grant	3,281,291
Total	<u>\$5,483,028</u>

7. RETIREMENT PLAN

Effective September 1, 2010, the Organization established a defined contribution Section 401(k) employee retirement plan. All employees are eligible to participate in the plan immediately upon employment. The Plan requires that the Organization make discretionary contributions in each Plan Year to the Individual Retirement Accounts of all eligible employees. The plan provides that Organization contribute 3% of the gross compensation of all eligible employees and also make matching contributions equal to 100% of the portion of each eligible employee's 401(k) contributions that do not exceed 6% of the employee's eligible pay. For the year ended August 31, 2016 the Organization contributed \$57,932.

8. FAIR VALUE MEASUREMENT

The Organization's assets and liabilities reported at fair value are valued using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy defines three levels of inputs, giving the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs.

The Organization uses the following hierarchical disclosure framework:

Level 1 -- Measurement based upon quoted prices for identical assets in an active market as of the reporting date.

Level 2 -- Measurement based upon marketplace inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 -- Measurement based on the Organization's assumptions about a hypothetical marketplace because observable market inputs are not available as of the reporting date.

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2016

The Organization uses appropriate valuation techniques based on the available inputs to measure the fair values of its assets and liabilities. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs have the lowest priority.

The following table sets forth by level within the fair value hierarchy, the Organization's assets measured at fair value on a recurring basis as of August 31, 2016:

Investments	Level 1	Level 2	Level 3	Total
Money Market	195,550	-	-	195,550
Total Investments	<u>195,550</u>	<u>-</u>	<u>-</u>	<u>195,550</u>

9. RESTATEMENT OF BEGINNING NET ASSETS

During the year, management determined that the classification of certain net assets should be reclassified. Beginning Net Assets have been restated as follows:

	NET ASSETS		Total
	Unrestricted	Temporarily Restricted	
Beginning balance, as previously reported	10,278,857	5,687,488	15,966,345
M&G Mitigation	1,113,000	(1,113,000)	-
Tex Star	1,089,000	(1,089,000)	-
Other	(30,000)	30,000	-
Beginning balance, as restated	<u>12,450,857</u>	<u>3,515,488</u>	<u>15,966,345</u>

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 22, 2017, the date which the financial statements were available to be issued.





# Lovvorn & Kieschnick, LLP

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of the State of Texas, *Uniform Grant and Contract Management Standards* (UGCMS), the financial statements of Coastal Bend Bays and Estuaries Program, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated May 22, 2017.

### **Internal Control over Financial Reporting**

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

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Coastal Bend Bays and Estuaries Program, Inc.'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 and UGCMS*.

## Purpose of this Report

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

*Lovvorn & Kieschnick, LLP*

Lovvorn & Kieschnick, LLP  
May 22, 2017



**Lovvorn & Kieschnick, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Compliance for Each Major Program  
and on Internal Control Over Compliance Required by the Uniform Guidance**

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

Members of the Board:

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

We have audited Coastal Bend Bays and Estuaries Program, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the provisions of the State of Texas, *Uniform Grant and Contract Management Standards* (UGCMS) that could have a direct and material effect on each of Coastal Bend Bays and Estuaries Program, Inc.'s major federal and state programs for the year ended August 31, 2016. Coastal Bend Bays and Estuaries Program, Inc.'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.

**Management's Responsibility**

Management is responsible for compliance with federal and state statutes, regulations, terms and conditions of its federal and state awards applicable to its federal and state programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Coastal Bend Bays and Estuaries Program, Inc.'s major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, and the provisions of the State of Texas, *Uniform Grant and Contract Management Standards* (UGCMS). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about Coastal Bend Bays and 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 on compliance for each major federal and state program. However, our audit does not provide a legal determination on Coastal Bend Bays and Estuaries Program, Inc.'s compliance.

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

In our opinion, Coastal Bend Bays and Estuaries Program, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2016.

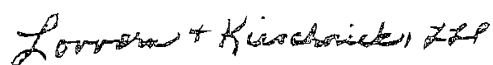
### **Report on Internal Control Over Compliance**

Management of Coastal Bend Bays and Estuaries Program, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Coastal Bend Bays and Estuaries Program, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and UGCMS, 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 Coastal Bend Bays and Estuaries Program, Inc.'s internal control over compliance.

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

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

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



Lovvorn & Kieschnick, LLP  
May 22, 2017

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED AUGUST 31, 2016

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

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: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200? \_\_\_\_\_ 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: \$750,000

Auditee qualified as low-risk auditee?  X  Yes \_\_\_\_\_ No

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED AUGUST 31, 2016

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: Unmodified

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>
582-12-10128	Texas Commission On Environmental Quality

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

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  
FOR THE YEAR ENDED AUGUST 31, 2016

<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  
FOR THE YEAR ENDED AUGUST 31, 2016

<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, 2016

Grantor Agency/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
U.S. Fish and Wildlife Service				
Direct Programs:				
Habitat and Artificial Reefs	15.630	F12AC00562	-	68,501
Habitat and Artificial Reefs	15.630	F12AC00709	-	129,230
Habitat and Artificial Reefs	15.630	F12AC00969	-	202,751
Habitat and Artificial Reefs	15.630	F12AC00552	-	1,685
Total CFDA Number 15.630			\$ -	\$ 402,167
Partners for Fish and Wildlife	15.631	F12AC00562	-	2,960
Pass-Through Program From:				
Texas Parks and Wildlife Department				
State Wildlife Grant	15.634	473409	-	17,508
Direct Program				
Fish and Wildlife	15.650	F15AP00193	-	300
Texas GLO - Coastal Management				
Coastal Impact Assistance Program	15.668	13-108-000-7145	-	238,387
Coastal Impact Assistance Program	15.668	16-269-000-9780	-	1,696
Coastal Impact Assistance Program	15.668	F12AF01251	-	19,000
Total CFDA Number 15.668			\$ -	\$ 259,083
Total U.S. Fish and Wildlife Service			\$ -	\$ 682,018
U.S. Environmental Protection Agency				
Direct Programs:				
National Estuary Program	66.456	CE-00F39301	-	11,249
National Estuary Program	66.456	CE-98685810-0	-	35,681
National Estuary Program	66.456	CE-98685811-0	-	5,703
National Estuary Program	66.456	CE-00F90501-0	-	27,211
National Estuary Program	66.456	CE-98685812-0	-	611,405
Total CFDA Number 66.456			\$ -	\$ 691,249
Total U.S. Environmental Protection Agency			\$ -	\$ 691,249

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended August 31, 2016

<u>Grantor Agency/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</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	14-095-000-8382	-	36,357
Total U.S. Department of Commerce, NOAA			\$ -	\$ 36,357
Total Federal Financial Assistance			\$ -	\$ 1,409,624

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, 2016

Note 1: Federal Assistance Reconciliation

Federal Expenditures per Schedule of Expenditures of Federal Awards	\$ 1,409,624
Less: Capitalization of Assets Purchased	<u>(2,990)</u>
Federal Expenses on Statement of Activities	<u><u>\$ 1,406,634</u></u>

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 & 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 Title 2 U.S Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.  
 SCHEDULE OF EXPENDITURES OF STATE AWARDS  
 For the Year Ended August 31, 2016

<u>Grantor Agency/Program Title</u>	<u>Grant Contract Number</u>	<u>Expenditures</u>
Texas Commission On Environmental Quality	582-12-10128	\$ 58,085
	582-12-10128	121,409
	582-12-10128	615,611
		<u>\$ 795,105</u>
 Total State Financial Assistance		 <u><u>\$ 795,105</u></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	\$ 795,105
Capitalization of Assets Purchased - Land	-
State Expenses on Statement of Activities	<u>\$ 795,105</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.