

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.

Annual Financial Report

For the Year Ended August 31, 2019



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, 2019

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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, 2019, 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, 2019, 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.

Emphasis of Matter

New Accounting Pronouncement

As described in Note 1 to the financial statements, in 2019, Coastal Bend Bays and Estuaries Program, Inc. implemented a new accounting pronouncement issued by the Financial Accounting Standards Board: Accounting Standards Update No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is 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 June 17, 2020, 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
June 17, 2020

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.
STATEMENT OF FINANCIAL POSITION
August 31, 2019

ASSETS

Current assets

Cash and Cash Equivalents		\$ 1,816,715
Restricted Cash and Cash Equivalents (Note 5)		689,892
Investments - Cash and Cash Equivalents - Unrestricted (Note 8)		1,089,267
Prepaid Items		12,527
Accrued Interest Receivable		22,963
Grants Receivable		<u>2,507,300</u>
Total Current Assets		6,138,665

Other Assets

Investments - Long-term - Unrestricted (Note 8)	7,985,855	
Lease Security Deposit	<u>6,169</u>	7,992,024

Long term assets

Property and Equipment, Net (Note 4)		
Land (Habitat) - Deed Restricted	17,330,971	
Other	<u>131,758</u>	<u>17,462,729</u>

Total Assets		<u><u>\$ 31,593,418</u></u>
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LIABILITIES AND NET ASSETS

Current liabilities

Accounts Payable		\$ 349,969
Accrued Expenses		<u>20,284</u>
Total Current Liabilities		<u>370,253</u>

Net Assets

Without Donor Restrictions		
Undesignated		13,070,543
Invested in Property and Equipment		
Land (Habitat) - Deed Restricted	17,330,971	
Other	<u>131,758</u>	<u>17,462,729</u>
Total		30,533,272
With Donor Restrictions (Note 5)		<u>689,892</u>
Total Net Assets		<u>31,223,164</u>
Total Liabilities and Net Assets		<u><u>\$ 31,593,418</u></u>

See notes to financial statements.

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue			
Federal and State funded grant agreements (Note 2)	\$ -	\$1,777,191	\$ 1,777,191
Local Partner contributions (Note 3)	324,500	-	324,500
Interest income	112,298	11,584	123,882
In-Kind Contributions - Land (Habitat) (Note 4)	1,250,813	-	1,250,813
Other income:			
Pipeline Easements	4,439,974	-	4,439,974
NFWF	-	818,236	818,236
Ed Rachal Foundation	-	500,000	500,000
Celanese	-	50,000	50,000
Kleberg	-	100,000	100,000
Conoco Phillips	-	40,000	40,000
CCA	-	70,000	70,000
Other income	155,323	58,500	213,823
Net assets released from restrictions (Note 6)	6,596,708	(6,596,708)	-
 Total public support and revenue	 <u>12,879,616</u>	 <u>(3,171,197)</u>	 <u>9,708,419</u>
Expenses			
Federal and State funded grant agreements (Note 2)	1,777,191	-	1,777,191
Management and General	1,820,285	-	1,820,285
 Total expenses	 <u>3,597,476</u>	 <u>-</u>	 <u>3,597,476</u>
 Change in net assets	 9,282,140	 (3,171,197)	 6,110,943
 Net assets, August 31, 2018	 21,251,132	 3,861,089	 25,112,221
 Net assets, August 31, 2019	 <u>\$ 30,533,272</u>	 <u>\$ 689,892</u>	 <u>\$31,223,164</u>

See notes to financial statements.

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2019

	Federal and State Funded	Management & General	Total
Personnel			
Salaries	\$ 675,527	\$ 263,506	\$ 939,033
Fringe Benefits			
Health Insurance	91,518	49,166	140,684
Workers' Compensation Insurance	7,300	3,247	10,548
Pension plan	58,495	23,298	81,794
Payroll taxes	50,888	23,827	74,714
Total personnel expenses	883,728	363,044	1,246,772
Travel, training, conferences	17,896	44,109	62,005
Supplies	15,915	74,755	90,670
Contractual	756,715	992,983	1,749,699
Other expenses			
Advertising	-	1,556	1,556
Data Processing	1,689	3,451	5,139
Depreciation	-	32,813	32,813
Dues and subscriptions	935	6,992	7,927
Equipment < \$1000	-	17,237	17,237
Equipment rental	8,260	2,805	11,065
Insurance expense	34,296	38,422	72,718
Janitorial	914	1,780	2,694
Maintenance	193	12,863	13,057
Miscellaneous	-	33,978	33,978
Office Lease	-	76,557	76,557
Postage and freight	330	553	883
Printing and duplication	-	966	966
Professional services	7,700	48,050	55,750
Property Taxes	-	25,146	25,146
Registration fees	7,127	5,712	12,839
Sponsorship	-	17,085	17,085
Telephone and Internet	3,268	13,728	16,997
Temporary Staff	36,123	4,958	41,081
Utilities	2,101	743	2,844
Total Other expenses	102,937	345,394	448,330
Total expenses	\$ 1,777,191	\$ 1,820,285	\$ 3,597,476

See notes to financial statements.

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2019

Cash flows from operating activities

Changes in net assets	\$ 6,110,943
Adjustments to reconcile change in net assets to net cash flow from operating activities:	
Depreciation	32,813
In-Kind Contribution of Land (Habitat)	(1,250,813)
 (Increase) decrease in operating assets:	
Grants Receivable	(110,329)
Prepaid Expenses	1,698
Accrued Interest Receivable	(22,963)
 Increase (decrease) in operating liabilities:	
Accounts payable and other payables	108,436
Accrued Expenses	(10,077)
Unearned Revenue	(2,864)
 Net cash provided by operating activities	<u>4,856,844</u>

Cash flows from investing activities

Purchase of Property	(46,182)
Purchase of Investments	<u>(7,985,855)</u>
 Net cash provided (used) by investing activities	<u>(8,032,037)</u>
 Net decrease in cash and cash equivalents	(3,175,193)

Cash and cash equivalents at the beginning of the year *

6,771,067

Cash and cash equivalents at the end of the year *

\$ 3,595,874

* Includes restricted cash and cash equivalents

Noncash Investing Activities:

In-Kind Contribution of Land (Habitat) is a Noncash Investing Transaction	\$ 1,250,813
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See notes to financial statements.

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019

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 financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which represents the expendable resources that are available for operations at management's discretion, and net assets with donor restrictions, which represents resources restricted by donors as to purpose or by the passage of time, or which represents resources whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

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.

Functional Allocation of Expenses

The costs of providing Coastal Bend Bays and Estuaries Program, Inc.'s programs and other activities have been presented in the statement of functional expenses. Indirect or shared costs, including personal costs, management fees, and occupancy and maintenance, are allocated among the program and support services by a method that best measures the relative degree of benefit.

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019

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 General Land Office, Texas Commission On Environmental Quality, U.S. Fish & Wildlife Service, U.S. Environmental Protection Agency and U.S. Department of Commerce, National Oceanic and Atmospheric Administration (NOAA). Local funds are provided by the City of Corpus Christi, Port of Corpus Christi, Port Industries of Corpus Christi, San Patricio County, City of Rockport, City of Ingleside, City of Portland, City of Port Aransas 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.

Investments

Investments are recorded at fair market value. Both unrealized gains and losses from the fluctuation of market value and realized gains and losses from the sale of investments are reflected in the statement of activities.

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019

New Accounting Pronouncement

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The Organization implemented the provisions of this new standard during the year ended August 31, 2019. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources and related to functional allocation of expenses.

2. FEDERAL, STATE, AND OTHER FUNDED GRANT AGREEMENTS

CBBEP has ongoing grants with the following:

- National Fish & Wildlife Foundation
- Texas Commission On Environmental Quality
- Texas General Land Office
- United States Fish and Wildlife Service
- United States Environmental Protection Agency Region VI (three grants)

3. LOCAL PARTNER CONTRIBUTIONS

As of August 31, 2019, the Organization had received the following contributions from local sources:

Port of Corpus Christi	\$120,000
Port Industries	75,000
City of Corpus Christi	75,000
San Patricio County	30,000
City of Rockport	7,500
City of Port Aransas	5,000
City of Ingleside	5,000
City of Portland	5,000
Nueces County	2,000
Total Contributions	<u>\$324,500</u>

4. PROPERTY AND EQUIPMENT

Property and equipment at August 31, 2019 consisted of the following:

Land (Habitat) – Deed Restricted	\$ 17,330,971
Classroom Structure and Improvements	63,683
Equipment	292,290
Total	<u>\$ 17,686,944</u>
Less accumulated depreciation and amortization	<u>(224,215)</u>
Property and equipment, net	<u>\$ 17,462,729</u>

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019

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. Acquisitions of real property are reported at cost and donations of land are reported at fair value at the date of donation based on highest and best use, as required by accounting standards.

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, due to the lack of foreseeable future cash flow benefits and absence of a secondary conservation easement market.

5. DONOR RESTRICTED NET ASSETS

Donor restricted net assets were available for the following purposes as of August 31, 2019:

Ed Rachal Foundation	416,582
CCA	70,000
Kleberg	52,252
NRDA	41,709
Celanese	35,044
Conoco Phillips	22,243
Tortuga Dunes	20,107
Kate's Hole	12,852
Lyondell	10,000
CBCF	5,500
City of Portland SEP	3,540
City of Corpus Christi	63
Total Donor Restricted Net Assets	<u>689,892</u>

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	\$1,777,191
Private non-profit corporate grant	2,238,992
Restriction removed related to court ordered condition of probation (COCP)	<u>2,580,525</u>
Total	<u>\$6,596,708</u>

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019

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, 2019 the Organization contributed \$81,794.

8. FAIR VALUE MEASUREMENT - INVESTMENTS

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.

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, 2019:

Investments	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	1,089,267	-	-	1,089,267
Fixed Income	6,652,562	-	-	6,652,562
Equities	813,715	-	-	813,715
Exchange Traded Funds	391,028	-	-	391,028
Other Assets	128,550	-	-	128,550
Total Investments	<u>9,075,122</u>	<u>-</u>	<u>-</u>	<u>9,075,122</u>

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019

9. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The liquidity and availability of the Organization's financial assets to fund general expenditures as of August 31, 2019 is shown below:

Financial Assets:	
Cash and cash equivalents	1,816,715
Restricted cash and cash equivalents	689,892
Investments - Cash and cash equivalents - Unrestricted	1,089,267
Accrued interest receivable	22,963
Grants receivable	2,507,300
Investments - Long-term - Unrestricted	<u>7,985,855</u>
Total Financial Assets	14,111,992
Less assets unavailable for General Expenditures:	
Donor restricted net assets	(689,892)
Investments - Long-term - Unrestricted	<u>(7,985,855)</u>
Financial assets available to meet cash needs for general expenses within one year	<u>5,436,245</u>

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 17, 2020, the date which the financial statements were available to be issued.

Covid-19:

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. The CBBEP is closely monitoring the situation, but the extent of financial impact to the Organization is unknown at this time.



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, 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, 2019, 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 June 17, 2020.

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*.

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
June 17, 2020



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 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* that could have a direct and material effect on each of Coastal Bend Bays and Estuaries Program, Inc.'s major federal programs for the year ended August 31, 2019. Coastal Bend Bays and Estuaries Program, Inc.'s major federal 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 statutes, regulations, and the terms and conditions of its federal awards applicable to its federal 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 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)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 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 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 programs for the year ended August 31, 2019.

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 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 program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal 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. Accordingly, this report is not suitable for any other purpose.

Lovvorn & Kieschnick, LLP

Lovvorn & Kieschnick, LLP
June 17, 2020

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2019

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>
66.454	Water Quality Management Planning

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, 2019

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2019

<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, 2019

<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, 2019

<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. Fish and Wildlife Service				
Direct Programs:				
Coastal Program	15.630	F14AC00969	-	4,775
Coastal Program	15.630	F15AC01077	-	25,225
Coastal Program	15.630	F15AC00552	-	14,408
Coastal Program	15.630	F16AC00617	-	39,329
Coastal Program	15.630	F18AC00828	-	52,140
	Total CFDA Number 15.630		\$ -	\$ 135,877
Partners for Fish and Wildlife	15.631	F16AC00813	-	26,356
Coastal Prairie Conservation Initiative 2017	15.631	F17AC00834	-	18,105
	Total CFDA Number 15.631		\$ -	\$ 44,461
Hurricane Harvey Shoreline Projects	15.654	F19AC00054	\$ -	\$ 134,609
Total U.S. Fish and Wildlife Service			\$ -	\$ 314,947
U.S. Environmental Protection Agency				
Direct Programs:				
National Estuary Program	66.456	CE-00F39301	-	2,615
National Estuary Program	66.456	CE-98685811-0	-	375
National Estuary Program	66.456	CE-98685814-0	-	14,153
National Estuary Program	66.456	CE-98685815-0	-	571,236
	Total CFDA Number 66.456		\$ -	\$ 588,379
Gulf of Mexico Program	66.475	MX-00D45216-0	\$ -	\$ 17,186
Pass-Through Program From:				
Texas Commission on Environmental Quality:				
Water Quality Management Planning	66.454	C6-48000054-0	\$ -	\$ 265,498
Total U.S. Environmental Protection Agency			\$ -	\$ 871,063

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2019

<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	18-094-000-A605	-	7,327
Texas Coastal Management Program	11.419	19-057-000-B091	-	40,005
Total U.S. Department of Commerce, NOAA			<u>\$ -</u>	<u>\$ 47,331</u>
 Total Federal Financial Assistance			 <u><u>\$ -</u></u>	 <u><u>\$ 1,233,341</u></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, 2019

Note 1: Federal Assistance Reconciliation

Federal Expenditures per Schedule of Expenditures of Federal Awards	\$1,233,341
Less: Capitalization of Assets Purchased	<u>(2,990)</u>
Federal Expenses on Statement of Activities	1,230,351
Add: Expenses of State Awards	<u>546,840</u>
Federal and State Expenses on Statement of Activities	<u><u>\$1,777,191</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 & 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 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 and Estuaries Program, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.