

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.

Annual Financial Report

For the Year Ended August 31, 2017



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, 2017

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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, 2017, 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, 2017, 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 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 May 29, 2018, 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 29, 2018

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.
STATEMENT OF FINANCIAL POSITION
August 31, 2017

ASSETS

Current assets

Cash		\$ 3,113,886
Cash - restricted (Note 5)		3,783,000
Investments - Short-term - restricted (Note 1 & 5)		195,581
Prepaid Items		31,704
Grants receivable		<u>1,954,472</u>

Total current assets 9,078,643

Other Assets

Lease Security Deposit		6,169
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Long term assets

Property and Equipment, net (Note 4)		
Land (Habitat) - Deed Restricted	11,905,278	
Other	<u>124,409</u>	<u>12,029,687</u>

Total assets \$ 21,114,500

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable		\$ 272,013
Accrued expenses		28,831
Unearned Revenue		<u>38,193</u>

Total current liabilities 339,037

Net assets

Unrestricted:		
Undesignated		4,878,019
Invested in Property and Equipment		
Land (Habitat) - Deed Restricted	11,905,278	
Other	<u>124,409</u>	<u>12,029,687</u>
Total Unrestricted		16,907,706
Temporarily restricted (Note 5)		<u>3,867,756</u>

Total net assets 20,775,463

Total liabilities and net assets \$ 21,114,500

See notes to financial statements.

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2017

	Unrestricted	Temporarily Restricted	Total
Public support and revenue			
Federal and State funded grant agreements (Note 2)	\$ -	\$ 1,925,402	\$ 1,925,402
Local Partner contributions (Note 3)	373,500	-	373,500
Interest income	963	3,883	4,847
Other income:			
Tex Star	1,166,578	-	1,166,578
Shamrock	203,660	-	203,660
NFWF	-	84,062	84,062
Other income	169,235	-	169,235
Net assets released from restrictions (Note 6)	2,066,728	(2,066,728)	-
	<u>3,980,665</u>	<u>(53,381)</u>	<u>3,927,284</u>
Expenses			
Federal and State funded grant agreements (Note 2)	1,925,402	-	1,925,402
Management and General	1,352,056	-	1,352,056
	<u>3,277,459</u>	<u>-</u>	<u>3,277,459</u>
Change in net assets	703,206	(53,381)	649,826
Net assets, August 31, 2016	16,204,500	3,921,137	20,125,637
Net assets, August 31, 2017	<u>\$ 16,907,706</u>	<u>\$ 3,867,756</u>	<u>\$ 20,775,463</u>

See notes to financial statements.

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2017

	Federal and State Funded	Management & General	Total
Personnel			
Salaries	\$ 673,844	\$ 159,940	\$ 833,784
Fringe Benefits			
Health and workers compensation insurance	92,009	19,505	111,514
Pension plan	56,144	10,003	66,148
Payroll taxes	57,626	15,056	72,683
Total personnel expenses	<u>879,624</u>	<u>204,505</u>	<u>1,084,129</u>
Travel, training, conferences	17,201	29,476	46,676
Supplies	20,178	46,919	67,097
Contractual	<u>887,622</u>	<u>844,057</u>	<u>1,731,679</u>
Other expenses			
Advertising	-	279	279
Construction/Rent	337	10,630	10,967
Data Processing	1,568	1,062	2,630
Depreciation	-	31,892	31,892
Dues and subscriptions	3,171	6,917	10,087
Equipment < \$1000	-	-	-
Equipment rental	8,057	1,284	9,341
Insurance expense	61,366	2,248	63,614
Janitorial	264	2,834	3,099
Maintenance	4,942	24,350	29,292
Miscellaneous	613	15,860	16,473
Office Lease	-	74,494	74,494
Postage and freight	520	336	856
Printing and duplication	-	1,061	1,061
Professional services	14,330	5,166	19,496
Property Taxes	-	9,965	9,965
Registration fees	3,573	7,987	11,560
Sponsorship	-	12,000	12,000
Telephone and Internet	7,815	13,648	21,463
Temporary Staff	13,121	2,792	15,913
Utilities	1,102	2,295	3,397
Total Other expenses	<u>120,778</u>	<u>227,099</u>	<u>347,877</u>
Total expenses	<u>\$ 1,925,402</u>	<u>\$ 1,352,056</u>	<u>\$ 3,277,459</u>

See notes to financial statements.

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

Cash flows from operating activities	
Changes in net assets	\$ 649,826
Adjustments to reconcile change in net assets to net cash flow from operating activities:	
Depreciation	31,892
(Increase) decrease in operating assets:	
Grants Receivable	168,594
Prepaid Expenses	(15,867)
Cash - Restricted	(57,413)
Increase (decrease) in operating liabilities:	
Accounts payable and other payables	(131,735)
Accrued Expenses	(30,686)
Unearned Revenue	<u>25,374</u>
Net cash provided by operating activities	<u>639,984</u>
Cash flows from investing activities	
Purchase of Property	(12,286)
Repayment of Note Receivable	<u>-</u>
Net cash provided (used) by investing activities	<u>(12,286)</u>
Cash flows from financing activities	
Transfer from investments	<u>(257)</u>
Net cash provided by financing activities	<u>(257)</u>
Net increase in cash	627,441
Cash	
Cash at the beginning of the year	<u>2,486,445</u>
Cash at the end of the year	<u><u>\$ 3,113,886</u></u>
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, 2017

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, 2017

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, 2017

Investments

Following is a summary of investments stated a fair value held by the Organization as of August 31, 2017.

Money Market	195,581
Total Investments	195,581

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
- 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, 2017, the Organization had received the following contributions from local sources:

Port of Corpus Christi	\$160,000
Port Industries	75,000
City of Corpus Christi	75,000
San Patricio County	30,000
San Patricio County FY 16	15,000
City of Port Aransas	5,000
City of Ingleside	5,000
City of Portland	5,000
Nueces County	3,500
Total Contributions	\$373,500

4. PROPERTY AND EQUIPMENT

Property and equipment at August 31, 2017 consisted of the following:

Land (Habitat) – Deed Restricted	\$ 11,905,278
Classroom Structure and Improvements	63,683
Equipment	244,877
Total	\$ 12,213,838
Less accumulated depreciation and amortization	(184,151)
Property and equipment, net	\$ 12,029,687

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2017

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, 2017:

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.

	3,783,000
City of Portland SEP	48,483
Tortuga Dunes	20,107
Kate’s Hole	12,852
Citgo	3,314
Total Temporarily Restricted Net Assets	3,867,756

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	\$1,925,402
Private non-profit corporate grant	141,326
Total	\$2,066,728

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2017

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, 2017 the Organization contributed \$66,364.

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.

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, 2017:

<u>Investments</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market	195,581	-	-	195,581
Total Investments	<u>195,581</u>	<u>-</u>	<u>-</u>	<u>195,581</u>

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 29, 2018, the date which the financial statements were available to be issued.

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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, 2017, 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 29, 2018.

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.

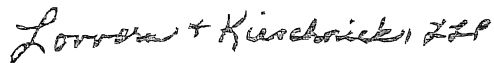
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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
May 29, 2018



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, 2017. 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, 2017.

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
May 29, 2018

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2017

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?	<u> </u> Yes	<u> X </u> No	
One or more significant deficiencies identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported	
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No	

2. Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No	
One or more significant deficiencies identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> 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?	<u> </u> Yes	<u> X </u> No	

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
15.630	Coastal Program

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

Auditee qualified as low-risk auditee?	<u> X </u> Yes	<u> </u> No
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COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2017

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, 2017

<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, 2017

Program

Corrective Action Plan

N/A

No Corrective Action Required

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2017

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:				
Coastal Program	15.630	F12AC00562	-	53,669
Coastal Program	15.630	F13AC00709	-	181,552
Coastal Program	15.630	F14AC00969	-	11,964
Coastal Program	15.630	F12AC00552	-	3,148
Coastal Program	15.630	F16AC00564	-	14,040
Coastal Program	15.630	F16AC00567	-	6,218
Coastal Program	15.630	F15AC00552	-	2,186
Coastal Program	15.630	F16AC00890	-	35,526
Total CFDA Number 15.630			\$ -	\$ 308,304
Partners for Fish and Wildlife	15.631	F16AC00813	-	4,910
Partners for Fish and Wildlife	15.631	F16AC00617	-	11,265
Total CFDA Number 15.631			\$ -	\$ 16,175
Pass-Through Program From:				
Texas Parks and Wildlife Department				
State Wildlife Grant	15.634	473409	-	20,072
Direct Programs:				
Texas GLO - Coastal Management				
Coastal Impact Assistance Program	15.668	13-108-000-7145	-	60,566
Coastal Impact Assistance Program	15.668	16-269-000-9780	-	21,489
Total CFDA Number 15.668			\$ -	\$ 82,056
Total U.S. Fish and Wildlife Service			\$ -	\$ 426,607
U.S. Environmental Protection Agency				
Direct Programs:				
National Estuary Program	66.456	CE-00F39301	-	2,615
National Estuary Program	66.456	CE-98685811-0	-	17,692
National Estuary Program	66.456	CE-00F90501-0	-	25,689
National Estuary Program	66.456	CE-98685812-0	-	53,595
National Estuary Program	66.456	CE-98685813-0	-	568,156
Total CFDA Number 66.456			\$ -	\$ 667,747
Gulf of Mexico Program	66.475	MX-00D45216-0	-	37,178
Total U.S. Environmental Protection Agency			\$ -	\$ 704,926

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2017

<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	15-038-000-8382	-	407
Texas Coastal Management Program	11.419	17-179-000-9816	-	84,762
Total U.S. Department of Commerce, NOAA			<u>\$ -</u>	<u>\$ 85,170</u>
Total Federal Financial Assistance			<u>\$ -</u>	<u>\$ 1,216,702</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, 2017

Note 1: Federal Assistance Reconciliation

Federal Expenditures per Schedule of Expenditures of Federal Awards	\$ 1,216,702
Less: Capitalization of Assets Purchased	<u>(2,990)</u>
Federal Expenses on Statement of Activities	<u>1,213,712</u>
Add: Expenses of State Awards	<u>711,690</u>
Federal and State Expenses on Statement of Activities	<u><u>1,925,402</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.