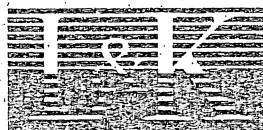


COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.

Annual Financial Report

For the Year Ended August 31, 2018



Lovvorn & Kieschnick
CERTIFIED PUBLIC ACCOUNTANTS

LOVVORN & KIESCHNICK, LLP

This page left blank intentionally.

COASTAL BEND BAYS AND ESTUARIES PROGRAM, INC.
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2018

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

This page is left blank intentionally.



Lovvorn & Kieschnick, LLP

CERTIFIED PUBLIC ACCOUNTANTS

418 Peoples Street, Suite 308 tele 361-884-8897
Corpus Christi, TX 78401 fax 361-884-3457

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, 2018, 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, 2018, 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 31, 2019, 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 31, 2019

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.
STATEMENT OF FINANCIAL POSITION
August 31, 2018

ASSETS

Current assets

Cash		\$	2,792,363
Cash - restricted (Note 5)			3,783,000
Investments - Short-term - restricted (Note 1 & 5)			195,704
Prepaid Items			14,225
Grants receivable			<u>2,396,971</u>

Total current assets 9,182,263

Other Assets

Lease Security Deposit			6,169
------------------------	--	--	-------

Long term assets

Property and Equipment, net (Note 4)			
Land (Habitat) - Deed Restricted	16,080,158		
Other	<u>118,390</u>		<u>16,198,548</u>

Total assets \$ 25,386,980

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable		\$	241,533
Accrued expenses			30,362
Unearned Revenue			<u>2,864</u>

Total current liabilities 274,759

Net assets

Unrestricted:			
Undesignated			5,052,583
Invested in Property and Equipment			
Land (Habitat) - Deed Restricted	16,080,158		
Other	<u>118,390</u>		<u>16,198,548</u>
Total Unrestricted			21,251,132
Temporarily restricted (Note 5)			<u>3,861,089</u>

Total net assets 25,112,221

Total liabilities and net assets \$ 25,386,980

See notes to financial statements.

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2018

	Unrestricted	Temporarily Restricted	Total
Public support and revenue			
Federal and State funded grant agreements (Note 2)	\$ -	\$1,938,732	\$ 1,938,732
Local Partner contributions (Note 3)	361,000	-	361,000
Interest income	1,259	5,500	6,759
In-Kind Contributions - Land (Habitat) (Note 4)	2,000,745	-	2,000,745
Other income:			
Tex Star	969,519	-	969,519
Shamrock	-	65,148	65,148
NFWF	-	498,763	498,763
Other income	453,217	15,000	468,217
Net assets released from restrictions (Note 6)	2,529,810	(2,529,810)	-
	<u>6,315,549</u>	<u>(6,667)</u>	<u>6,308,883</u>
Expenses			
Federal and State funded grant agreements (Note 2)	1,938,732	-	1,938,732
Management and General	1,320,719	-	1,320,719
	<u>3,259,451</u>	<u>-</u>	<u>3,259,451</u>
Change in net assets	3,056,099	(6,667)	3,049,432
Net assets, August 31, 2017 (Restated)	18,195,033	3,867,756	22,062,789
Net assets, August 31, 2018	<u>\$ 21,251,132</u>	<u>\$ 3,861,089</u>	<u>\$ 25,112,221</u>

See notes to financial statements.

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2018

	Federal and State Funded	Management & General	Total
Personnel			
Salaries	\$ 702,982	\$ 194,787	\$ 897,769
Fringe Benefits			
Health and workers compensation insurance	93,237	53,174	146,410
Pension plan	62,862	14,135	76,997
Payroll taxes	59,882	16,629	76,511
Total personnel expenses	918,962	278,725	1,197,687
Travel, training, conferences	17,040	32,712	49,752
Supplies	23,698	84,249	107,947
Contractual	853,011	677,963	1,530,974
Other expenses			
Data Processing	5,223	913	6,136
Depreciation	-	29,980	29,980
Dues and subscriptions	1,990	7,158	9,148
Equipment < \$1000	-	3,795	3,795
Equipment rental	7,270	1,730	9,000
Insurance expense	48,838	20,417	69,255
Janitorial	1,032	2,800	3,832
Maintenance	7,149	22,734	29,883
Miscellaneous	15	26,989	27,004
Office Lease	-	75,770	75,770
Postage and freight	499	103	603
Professional services	21,350	10,700	32,050
Property Taxes	-	10,724	10,724
Registration fees	4,679	1,438	6,117
Sponsorship	-	15,560	15,560
Telephone and Internet	2,973	13,477	16,450
Temporary Staff	22,197	2,435	24,632
Utilities	2,805	347	3,152
Total Other expenses	126,020	247,070	373,090
Total expenses	\$ 1,938,732	\$ 1,320,719	\$ 3,259,451

See notes to financial statements.

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2018

Cash flows from operating activities

Changes in net assets	\$ 3,049,432
Adjustments to reconcile change in net assets to net cash flow from operating activities:	
Depreciation	29,980
In-Kind Contribution of Land (Habitat)	(2,000,745)
 (Increase) decrease in operating assets:	
Grants Receivable	(442,498)
Prepaid Expenses	17,479
Cash - Restricted	-
 Increase (decrease) in operating liabilities:	
Accounts payable and other payables	(30,480)
Accrued Expenses	1,531
Unearned Revenue	(35,329)
	<hr/>
Net cash provided by operating activities	589,370 <hr/>

Cash flows from investing activities

Purchase of Property	(910,770)
Repayment of Note Receivable	-
	<hr/>
Net cash provided (used) by investing activities	(910,770) <hr/>

Cash flows from financing activities

Transfer to investments	(123)
	<hr/>
Net cash used by financing activities	(123) <hr/>
 Net decrease in cash	(321,523)

Cash

Cash at the beginning of the year	3,113,886
	<hr/>
Cash at the end of the year	\$ 2,792,363 <hr/> <hr/>

Noncash Investing Activities:

In-Kind Contribution of Land (Habitat) is a Noncash Investing Transaction	\$ 2,000,745
--	--------------

See notes to financial statements.

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

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, 2018

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, San Patricio County, City of Rockport, City of Ingleside, 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.

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

Investments

Following is a summary of investments stated a fair value held by the Organization as of August 31, 2018.

Money Market	195,704
Total Investments	<u>195,704</u>

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 (three grants)

3. LOCAL PARTNER CONTRIBUTIONS

As of August 31, 2018, 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
City of Rockport	7,500
City of Port Aransas	5,000
City of Ingleside	5,000
Nueces County	<u>3,500</u>
Total Contributions	<u>\$361,000</u>

4. PROPERTY AND EQUIPMENT

Property and equipment at August 31, 2018 consisted of the following:

Land (Habitat) – Deed Restricted	\$ 16,080,158
Classroom Structure and Improvements	63,683
Equipment	<u>246,109</u>
Total	<u>\$ 16,389,950</u>
Less accumulated depreciation and amortization	<u>(191,402)</u>
Property and equipment, net	<u>\$ 16,198,548</u>

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

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, 2018:

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

NRDA	41,567
Tortuga Dunes	20,107
Kate's Hole	12,852
City of Portland SEP	3,540
City of Corpus Christi SEP	23
Total Temporarily Restricted Net Assets	<u>3,861,089</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	\$1,938,732
Private non-profit corporate grant	591,078
Total	<u>\$2,529,810</u>

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

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, 2018 the Organization contributed \$76,997.

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, 2018:

<u>Investments</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market	195,704	-	-	195,704
Total Investments	<u>195,704</u>	<u>-</u>	<u>-</u>	<u>195,704</u>

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

9. RESTATEMENT OF NET ASSETS

During the year, management determined that land (Habitat) had been understated in prior years. Beginning net assets have been restated as follows:

	Unrestricted	Temporarily Restricted	Total
Beginning net assets as			
Previously reported	\$16,907,706	\$3,867,756.00	\$20,775,462.00
Restatement of Land (Habitat)	1,287,327	-	1,287,327
Beginning net assets, as restated	<u>\$18,195,033</u>	<u>\$3,867,756</u>	<u>\$22,062,789</u>

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 31, 2019, 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, 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, 2018, 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 31, 2019.

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.

A handwritten signature in cursive script that reads "Lovvorn & Kieschnick, LLP".

Lovvorn & Kieschnick, LLP
May 31, 2019



Lovvorn & Kieschnick, LLP

CERTIFIED PUBLIC ACCOUNTANTS

418 Peoples Street, Suite 308 tele 361-884-8897
Corpus Christi, TX 78401 fax 361-884-3457

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, 2018. 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, 2018.

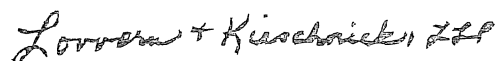
Report on Internal Control Over Compliance

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
May 31, 2019

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2018

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, 2018

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, 2018

<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, 2018

<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, 2018

<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	F13AC00709	-	12,275
Coastal Program	15.630	F14AC00969	-	59,863
Coastal Program	15.630	F15AC01077	-	34,306
Coastal Program	15.630	F15AC00552	-	14,364
Total CFDA Number 15.630			<u>\$ -</u>	<u>\$ 120,807</u>
Partners for Fish and Wildlife	15.631	F16AC00813	-	262,023
Total CFDA Number 15.631			<u>\$ -</u>	<u>\$ 262,023</u>
Pass-Through Program From:				
Texas Parks and Wildlife Department:				
State Wildlife Grant	15.634	473409	<u>\$ -</u>	<u>\$ 4,975</u>
Total U.S. Fish and Wildlife Service			<u>\$ -</u>	<u>\$ 387,806</u>
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-00F90501-0	-	747
National Estuary Program	66.456	CE-98685813-0	-	24,616
National Estuary Program	66.456	CE-98685814-0	-	579,322
Total CFDA Number 66.456			<u>\$ -</u>	<u>\$ 607,675</u>
Gulf of Mexico Program	66.475	MX-00D45216-0	<u>\$ -</u>	<u>\$ 175,441</u>
Pass-Through Program From:				
Texas Commission on Environmental Quality:				
Water Quality Management Planning	66.454	C6-48000054-0	<u>\$ -</u>	<u>\$ 147,544</u>
Total U.S. Environmental Protection Agency			<u>\$ -</u>	<u>\$ 930,660</u>

COASTAL BEND BAYS & ESTUARIES PROGRAM, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2018

<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	-	19,182
Total U.S. Department of Commerce, NOAA			<u>\$ -</u>	<u>\$ 19,182</u>
 Total Federal Financial Assistance			<u><u>\$ -</u></u>	<u><u>\$ 1,337,648</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, 2018

Note 1: Federal Assistance Reconciliation

Federal Expenditures per Schedule of Expenditures of Federal Awards	\$ 1,337,648
Less: Capitalization of Assets Purchased	<u>(2,990)</u>
Federal Expenses on Statement of Activities	<u>1,334,658</u>
Add: Expenses of State Awards	<u>604,074</u>
Federal and State Expenses on Statement of Activities	<u><u>1,938,732</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.