

# Financial Statements

Gleanings from the Harvest  
For Galveston  
December 31, 2010 and 2009



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# Gleanings from the Harvest for Galveston

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**Katherine Overbeck Maxwell PLLC**  
**Certified Public Accountant**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Gleanings from the Harvest for Galveston

We have audited the accompanying statement of financial position of Gleanings from the Harvest for Galveston (a non-profit organization) as of December 31, 2010 and 2009, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gleanings from the Harvest for Galveston as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2011, on our consideration of Gleanings from the Harvest for Galveston'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* and should be considered in assessing the results of our audit.

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 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a 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.

*Katherine Overbeck Maxwell PLLC*  
Katherine Overbeck Maxwell PLLC

Galveston, Texas  
August 15, 2011

**Gleanings from the Harvest for Galveston  
Statement of Financial Position  
December 31, 2010 and 2009**

	<u>2010</u>			<u>2009</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and Cash Equivalents	\$ 357,759	\$ -	\$ 357,759	\$ 184,153	\$ 40,066	\$224,219
Grant Receivable	91,703	-	91,703	-	-	-
Prepaid Insurance	10,679	-	10,679	7,530	-	7,530
<b>Total Current Assets</b>	<b>\$ 460,141</b>	<b>\$ -</b>	<b>\$ 460,141</b>	<b>\$ 191,683</b>	<b>\$ 40,066</b>	<b>\$231,749</b>
<b>PROPERTY AND EQUIPMENT, NET</b>	<b>\$ 979,850</b>	<b>\$ -</b>	<b>\$ 979,850</b>	<b>\$ 300,308</b>	<b>\$ -</b>	<b>\$300,308</b>
<b>OTHER ASSETS - DEPOSITS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,089</b>	<b>-</b>	<b>4,089</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,439,991</b>	<b>\$ -</b>	<b>\$ 1,439,991</b>	<b>\$ 496,080</b>	<b>\$ 40,066</b>	<b>\$536,146</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>LIABILITIES</b>						
Accounts Payable	\$ 45,100	\$ -	\$ 45,100	\$ 34,212	\$ -	\$ 34,212
Payroll Liabilities	3,794	-	3,794	95	-	95
<b>Total Liabilities</b>	<b>\$ 48,894</b>	<b>\$ -</b>	<b>\$ 48,894</b>	<b>\$ 34,307</b>	<b>\$ -</b>	<b>\$ 34,307</b>
<b>NET ASSETS</b>	<b>\$ 1,391,097</b>	<b>\$ -</b>	<b>\$ 1,391,097</b>	<b>\$ 461,773</b>	<b>\$ 40,066</b>	<b>\$501,839</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,439,991</b>	<b>\$ -</b>	<b>\$ 1,439,991</b>	<b>\$ 496,080</b>	<b>\$ 40,066</b>	<b>\$536,146</b>

The accompanying notes to the financial statements are an integral part of this statement.

**Gleanings from the Harvest for Galveston  
Statement of Activities  
For the Years Ended December 31, 2010 and 2009**

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>PUBLIC SUPPORT AND REVENUE</b>						
<b>Public Support</b>						
Grants :	\$ 213,915	\$ -	\$ 213,915	\$ 364,331	\$ -	\$ 364,331
Contributions:						
Monetary	49,869	-	49,869	102,644	-	102,644
In Kind Donations						
Food Donations	6,395,964	-	6,395,964	6,419,586	-	6,419,586
Other Donated Services & Goods	9,996	-	9,996	1,750	-	1,750
Lone Star Voucher		-	-	52	-	52
Special events, net of \$12,694(2010) and \$10,319 (2009) of expenses	56,174	-	56,174	49,532	-	49,532
<b>Total Public Support</b>	<b>\$ 6,725,918</b>	<b>\$ -</b>	<b>\$ 6,725,918</b>	<b>\$ 6,937,895</b>	<b>\$ -</b>	<b>\$ 6,937,895</b>
<b>Revenue</b>						
Program Service Fees	\$ 7,864	\$ -	\$ 7,864	\$ 6,163	\$ -	\$ 6,163
CDBG Reimbursement	-	-	-	5,888	-	5,888
SSBG Funding	1,604,725	-	1,604,725	-	-	-
Miscellaneous	3,367	-	3,367	-	-	-
Investment Income	206	-	206	749	-	749
<b>Total Revenue</b>	<b>\$ 1,616,162</b>	<b>\$ -</b>	<b>\$ 1,616,162</b>	<b>\$ 12,800</b>	<b>\$ -</b>	<b>\$ 12,800</b>
<b>Other Income</b>						
FEMA Reimbursement	\$ -	\$ -	\$ -	\$ 15,914	\$ -	\$ 15,914
Insurance Proceeds	-	-	-	3,403	-	3,403
Gain on Disposition of Van	-	-	-	17,050	-	17,050
<b>Total Other Income</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 36,367</b>	<b>\$ -</b>	<b>\$ 36,367</b>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b>\$ 40,066</b>	<b>\$ (40,066)</b>	<b>\$ -</b>	<b>\$ 91,550</b>	<b>\$ (91,550)</b>	<b>\$ -</b>
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<b>\$ 8,382,146</b>	<b>\$ (40,066)</b>	<b>\$ 8,342,080</b>	<b>\$ 7,078,612</b>	<b>\$ (91,550)</b>	<b>\$ 6,987,062</b>

The accompanying notes to the financial statements are an integral part of this statement.

**Gleanings from the Harvest for Galveston  
Statement of Activities  
For the Years Ended December 31, 2010 and 2009**

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>EXPENSES</b>						
Salaries	\$ 329,360	\$ -	\$ 329,360	\$ 118,440	\$ -	\$ 118,440
Payroll Taxes	28,086	-	28,086	11,211	-	11,211
Bank Charges	724	-	724	-	-	-
Business/Professional Expenses	2,960	-	2,960	-	-	-
Printing and Postage	6,399	-	6,399	644	-	644
Office Expense	46,892	-	46,892	7,256	-	7,256
Professional Fees	12,740	-	12,740	13,044	-	13,044
Rent	6,500	-	6,500	5,500	-	5,500
Telephone	7,624	-	7,624	4,398	-	4,398
Insurance	19,103	-	19,103	9,957	-	9,957
Interest	1,609	-	1,609	-	-	-
Vehicle Maintenance	32,659	-	32,659	31,381	-	31,381
Building Maintenance	11,525	-	11,525	2,089	-	2,089
Equipment and Maintenance	13,545	-	13,545	8,105	-	8,105
Fundraising	150	-	150	-	-	-
Promotion/Development	6,014	-	6,014	11,260	-	11,260
Utilities	16,355	-	16,355	5,827	-	5,827
Warehouse	2,325	-	2,325	1,423	-	1,423
Food Ministries	6,798,732	-	6,798,732	6,527,843	-	6,527,843
Training/Education	-	-	-	1,218	-	1,218
Disaster Relief	-	-	-	8,035	-	8,035
Depreciation Expense	109,520	-	109,520	44,122	-	44,122
<b>TOTAL EXPENSES</b>	<b>\$ 7,452,822</b>	<b>\$ -</b>	<b>\$ 7,452,822</b>	<b>\$ 6,811,753</b>	<b>\$ -</b>	<b>\$ 6,811,753</b>
<b>CHANGE IN NET ASSETS</b>	929,324	(40,066)	889,258	266,859	(91,550)	175,309
<b>NET ASSETS, BEGINNING OF YEAR</b>	461,773	40,066	501,839	194,914	131,616	326,530
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,391,097</b>	<b>\$ -</b>	<b>\$ 1,391,097</b>	<b>\$ 461,773</b>	<b>\$ 40,066</b>	<b>\$ 501,839</b>

The accompanying notes to the financial statements are an integral part of this statement.

**Gleanings from the Harvest for Galveston  
Statement of Cash Flows  
For the Years Ended December 31, 2010 and 2009**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	<u>2010</u>	<u>2009</u>
Increase (Decrease) in Net Assets	\$ 889,258	\$ 175,309
<b>Adjustments to Reconcile Net Assets to Net Cash Provided by (Used in) Operating Activities:</b>		
Depreciation	109,520	44,122
(Increase) Decrease in Accounts Receivable	(91,703)	1,717
(Increase) Decrease in Prepaid Expenses	(3,149)	370
(Increase) Decrease in Deposits	4,089	(3,589)
Increase (Decrease) in Accounts Payable	<u>14,587</u>	<u>31,087</u>
<b>Net Cash Provided By (Used in) Operating Activities</b>	<u>33,344</u>	<u>73,707</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
<b>Adjustments to Reconcile Net Assets to Net Cash Provided by (Used in) Investing Activities:</b>		
(Increase) Decrease in Property and Equipment	<u>(789,062)</u>	<u>(176,978)</u>
<b>Net Cash Provided By (Used in) Investing Activities</b>	<u>(789,062)</u>	<u>(176,978)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	133,540	72,038
<b>CASH AND TEMPORARY CASH INVESTMENTS AT BEGINNING OF YEAR</b>	<u>224,219</u>	<u>152,181</u>
<b>CASH AND TEMPORARY CASH INVESTMENTS AT END OF YEAR</b>	<u>\$ 357,759</u>	<u>\$ 224,219</u>
<b>Supplemental disclosure of cash flows information:</b>		
Cash paid for interest	\$ 1,609	\$ -
Cash paid for income taxes	\$ -	\$ -

The accompanying notes to the financial statements are an integral part of this statement.

**Gleanings from the Harvest for Galveston**  
**Notes to the Financial Statements**  
**December 31, 2010 and 2009**

**Note 1: Organization**

Gleanings from the Harvest for Galveston (Gleanings) is an interfaith, community based organization dedicated to solving the problem of hunger in Galveston County. Gleanings receives surplus food from restaurants, grocery stores, institutions that prepare meals, corporations that manufacture food products, food brokers and shippers. Gleanings stores and redistributes this food to its members- a network of organizations that have identified and can rapidly deliver this food to the hungry of Galveston. In this way a variety of nutritious food items can be made consistently available all year round to those who feed the needy.

Gleanings is an exempt organization for federal income tax purposes under Section 501(c)(3) of the Internal Revenue Code.

**Note 2: Summary of Significant Accounting Policies**

Gleanings' financial statements have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities. Temporarily Restricted Funds have been established to account for those resources available for use, but expendable only for the specific purpose or time frame specified by the donor.

**Basis of Presentation**

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board ASC 958-205 (formerly SFAS No. 117) and are in conformity with accounting principles generally accepted in the United States of America established for not-for profit organizations. Gleanings is required to report information regarding financial position and activities according to three classes of net assets:

**Unrestricted Net Assets** - consist of assets, public support and program revenues, which are available and used for operations and programs. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

**Temporarily Restricted Net Assets** - include funds with donor-imposed restrictions, which permit the Organization to expend the assets as specified, and are satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants, bequests, contracts and investment income earned on restricted funds. There are no temporarily restricted net assets as of December 31, 2010. At December 31, 2009, \$40,006 of net assets were temporarily restricted for salary expenditures.

**Permanently Restricted Net Assets** - include resources, which have a permanent donor-imposed restriction, which stipulates that the assets are to be maintained permanently, but permit the Organization to expend part or all of the income derived from the donated assets. There are no permanently restricted net assets at the years ended December 31, 2010 and 2009.

**Gleanings from the Harvest for Galveston**  
**Notes to the Financial Statements**  
**December 31, 2010 and 2009**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Cash and Cash Equivalents**

Cash and Cash Equivalents include cash on hand, cash in banks and a money market account. At year-end and throughout the year, Gleanings' cash balances were deposited in one bank and with Edward Jones. Cash in banks is insured by the Federal Deposit Insurance Corporation to a maximum of \$250,000 per institution. At times during the years under audit the cash in banks exceeded the insured amount. Deposits with Edward Jones are not insured by the Federal Deposit Insurance Corporation.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the reporting period. Accordingly, actual results could differ from those estimates.

**Support and Expenses**

Contributions received are reported as an increase in net assets. Gleanings reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. Donations and grants internally restricted by the Board of Directors are reported in the unrestricted net assets as being designated.

**Donated Goods and Services**

Donated property, marketable securities and other non-cash donations are recorded as contributions at the date of donation. Donated services are recognized as contributions in accordance with FASB ASC 958-905 (formally SFAS 116, paragraph 9), Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance non-financial assets, or (b) require specialized skills, and would otherwise be purchased by Gleanings. Many volunteers provide services throughout the year that are not recognized as contributions in the financial statements, because the recognition criteria under FASB ASC 958-905 was not met. It is impractical to determine the fair market value of all volunteer services.

**Compensable Absences**

Gleanings does not accrue compensated absences, as the amount cannot be reasonably ascertained. Management is of the opinion that the amount would not be material.

**Note 3: Cash and Temporary Cash Equivalents**

Cash and Cash Equivalents at December 31 consist of the following:

	<u>2010</u>	<u>2009</u>
Petty Cash	\$ 100	\$ 100
Checking Accounts	259,869	109,395
Money Market Accounts	97,790	97,724
Certificates of Deposit	-	17,000
	<u>          </u>	<u>          </u>
Total Cash and Cash Equivalents	<u>\$ 357,759</u>	<u>\$ 224,219</u>

**Gleanings from the Harvest for Galveston  
Notes to the Financial Statements  
December 31, 2010 and 2009**

**Note 4: Program Service Fees**

Gleanings accounts for program service fees as exchange transactions rather than contributions. Exchange transactions are accounted for in the same manner as those for business enterprises; that is, they are recognized in the period in which the services are rendered.

Gleanings resells boxes of food to the working poor in Galveston at discounted rates.

**Note 5: Property and Equipment and Depreciation**

Purchased property and equipment are carried at cost. Donated property and equipment are recorded at fair market value at the date of donation. Maintenance, repairs, and renewals which neither materially add to the value of the property or appreciably prolong its life are charged to expenses as incurred. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets. Property and equipment are depreciated over 3-7 years. The capitalization policy is to capitalize any purchase over \$5,000. Repairs and maintenance are expensed as incurred.

Property and Equipment consisted of the following at December 31:

	Balance Dec. 31,2009	Additions	Retirements	Balance Dec. 31,2010	Estimated Life
Vehicles	\$ 199,226	\$261,523	\$ -	\$ 460,750	3-5 yrs.
Machinery & Equipment	4,500	119,332	(4,500)	119,332	7 yrs.
Office Equipment	6,871	19,440	(6,871)	19,440	7 yrs.
Refrigeration Equipment	42,961	-	-	42,961	3-7 yrs.
Warehouse Equipment	-	244,836	-	244,836	7 yrs.
Lease Hold Improvements - Texas City	134,017	151,249	-	285,266	15 yrs.
<b>Total Property and Equipment</b>	<b>\$ 387,575</b>	<b>\$796,380</b>	<b>\$ (11,371)</b>	<b>\$ 1,172,585</b>	
<b>Less: Accumulated Depreciation</b>	<b>(87,267)</b>	<b>(109,520)</b>	<b>4,052</b>	<b>(192,735)</b>	
<b>Property and Equipment, Net</b>	<b>\$ 300,308</b>	<b>\$686,861</b>	<b>\$ (7,319)</b>	<b>\$ 979,850</b>	

**Note 6: Financial Statement Presentation for Unrestricted and Restricted Revenue and Support**

Revenue and Support received are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor restrictions. Revenue and Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue or support is recognized. All other donor-restricted revenue and support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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.

**Note 7: Unrestricted Net Assets:**

Unrestricted Net Assets consisted of the following as of December 31:

	<u>2010</u>	<u>2009</u>
Property & Equipment	\$ 979,850	\$ 300,308
General Operations	313,457	176,531
Board Designated Reserve	97,790	25,000
<b>Total</b>	<b>\$ 1,391,097</b>	<b>\$ 501,839</b>

**Gleanings from the Harvest for Galveston**  
**Notes to the Financial Statements**  
**December 31, 2010 and 2009**

**Note 8: In Kind Donations**

The organization recognizes revenue for certain goods and services received at the fair value of those items. In Kind Donations include the following:

	<u>2010</u>	<u>2009</u>
Donated Food	\$ 6,395,964	\$ 6,419,586
Construction Supplies	<u>9,996</u>	<u>1,750</u>
Total In Kind Donations	<u>\$ 6,405,960</u>	<u>\$ 6,421,336</u>

**Note 9: Lines of Credit**

On 8/26/09 Gleanings secured an irrevocable line of credit with Moody National Bank for an amount not to exceed \$25,000 at 12% interest as part of the lease requirements from the City of Texas City for a maintenance reserve bond for the building at 624 4th Ave N. As of December 31, 2009 no funds were drawn against the line of credit. On March 17, 2010, the city amended the lease agreement and waived this requirement. The line of credit was closed.

During 2010, Gleanings obtained a line of credit from the Kempner Fund/Moody PEF for \$250,000 at 1.5% interest. The monies were used to purchase items that were to be reimbursed from the SSBG grant program. In November 2010, the loan was paid in full and the line of credit was closed.

**Note 10: Lease Commitment**

Gleanings entered into a 20 year occupancy lease expiring May 31, 2027 for a warehouse/office building at 624 4th Ave N in Texas City. Annual lease payments are \$1. The organization is responsible for all maintenance and repairs.

**Note 11: Functional Expenses**

Expenses of Gleanings by function are as follows:

	<u>2010</u>	<u>2009</u>
Program Services	\$ 7,263,766	\$ 6,730,416
Management and General	120,360	54,362
Fundraising	<u>68,696</u>	<u>26,975</u>
	<u>\$ 7,452,822</u>	<u>\$ 6,811,753</u>

**Note 13: Concentration of Credit Risk**

Cash Balances - Gleanings had deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation of \$9,869 at December 31, 2010 and \$0 at December 31, 2009. Balances in the Edward Jones account of \$97,790 (2010) and \$97,724 (2009) are not insured.

Revenues and Support - Gleanings depends heavily on grants from private foundations. Typically the grants are awarded for a one year period. Gleanings must reapply each year.

**Note 14 - Subsequent Events**

Subsequent events have been evaluated through August 15, 2011 which is the date the financial statements were available to be issued.

**Gleanings from the Harvest for Galveston  
Schedule of Expenditures of Federal and State Awards  
December 31, 2010 and 2009**

<u>Grantor/Pass-Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Program No.</u>	<u>Effective Dates</u>	<u>2010</u>		<u>2009</u>	
				<u>Awards</u>	<u>Expenditures</u>	<u>Awards</u>	<u>Expenditures</u>
<b>Hurricane Ike Recovery Assistance  Social Services Block Grant  Supplemental Funds  Texas Health and Human Services  Commission/H-GAC/UTMB</b>	93.667	529-09-0100-00001	11/1-2009 - 9/30/2011	1,759,024	1,604,725	-	-

The accompanying notes are an integral part of this schedule

**Gleanings from the Harvest for Galveston**  
**Notes to the Schedule of Expenditures of Federal and State Awards**  
**December 31, 2010 and 2009**

**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the grant activity of Gleanings from the Harvest for Galveston under programs of the federal government for the years ended December 31, 2010 and 2009. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the schedule presents only a selected portion of the operations of Gleanings of the Harvest for Galveston, it is not intended to and does not present the financial position, changes in net assets or cash flows of Gleanings from the Harvest for Galveston.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost Principles for Non-profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**Note 3. Subrecipients**

Of the federal expenditures presented in the schedule, Gleanings from the Harvest for Galveston provided federal awards to subrecipients as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
93.667	Hurricane Ike Recovery Assistance Social Services Block Grant Supplemental Funds	\$ 52,686.51

**Gleanings from the Harvest for Galveston  
Summary Schedule of Prior Audit Findings  
December 31, 2010 and 2009**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If not Implemented</u>
This is the first Single Audit for Gleanings, there are no prior findings		



Katherine Overbeck Maxwell, PLLC  
Certified Public Accountant

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**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 STANDARD**

Board of Directors  
Gleanings from the Harvest for Galveston

We have audited the financial statements of Gleanings from the Harvest for Galveston as of and for the year ended December 31, 2010, and have issued our report thereon dated August 15, 2011. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Gleanings from the Harvest for Galveston's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gleanings from the Harvest for Galveston's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *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 a 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Gleanings from the Harvest for Galveston'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*.

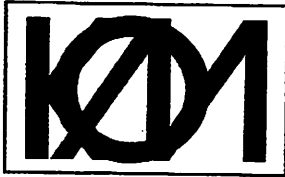
We noted certain other matters that we reported to management of Gleanings from the Harvest for Galveston in a separate letter dated August 15, 2011.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Katherine Overbeck Maxwell PLLC*

Katherine Overbeck Maxwell, PLLC

Galveston, Texas  
August 15, 2011



**Katherine Overbeck Maxwell, PLLC**  
**Certified Public Accountant**

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors  
Gleanings from the Harvest for Galveston

**Compliance**

We have audited Gleanings from the Harvest for Galveston's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Gleanings from the Harvest for Galveston's major federal programs for the year ended December 31, 2010. Gleanings from the Harvest for Galveston's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Gleanings from the Harvest for Galveston's management. Our responsibility is to express an opinion on Gleanings from the Harvest for Galveston's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Gleanings from the Harvest for Galveston's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Gleanings from the Harvest for Galveston's compliance with those requirements.

In our opinion, Gleanings from the Harvest for Galveston complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

**Internal Control Over Compliance**

Management of Gleanings from the Harvest for Galveston is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Gleanings from the Harvest for Galveston's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Gleanings from the Harvest for Galveston'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.

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, as defined above.

Gleanings from the Harvest for Galveston's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Gleanings from the Harvest for Galveston's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Katherine Overbeck Maxwell, PLLC

Galveston, Texas  
August 15, 2011

**Gleanings from the Harvest for Galveston  
Schedule of Findings and Questioned Costs  
December 31, 2010 and 2009**

**Section 1 – Summary of Auditor’s Results**

*Financial Statement*

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

Material weakness identified      Yes   x   No

Significant deficiencies identified that are not considered to be material weaknesses      Yes   x   None Reported

Noncompliance material to financial statement noted      Yes   x   No

*Federal Awards*

Internal control over major program:

Material weakness identified      Yes   x   No

Significant deficiencies identified that are not considered to be material weaknesses      Yes   x   None Reported

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

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

Identification of major programs:

CFDA Number  
93.667

Name of Federal Program or Cluster  
Hurricane Ike Recovery Assistance  
Social Services Block Grant  
Supplemental Funds

**Gleanings from the Harvest for Galveston  
Schedule of Findings and Questioned Costs (Cont.)  
December 31, 2010 and 2009**

Dollar threshold used to distinguish between  
Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

       Yes

  x   No

**Section II Financial Statement Findings**

None

**Section III Federal Award Findings and Questioned Costs**

None



Katherine Overbeck Maxwell, PLLC  
Certified Public Accountant

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August 15, 2011

To the Board of Directors  
Gleanings from the Harvest for Galveston

We have audited the financial statements of Gleanings from the Harvest for Galveston for the year ended December 31, 2010, and have issued our report thereon dated August 15, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 30, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Gleanings from the Harvest for Galveston are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements<sup>1</sup>*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated August 15, 2011.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the

consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Gleanings from the Harvest for Galveston and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

  
Katherine Overbeck Maxwell, CPA, PLLC



Katherine Overbeck Maxwell, PLLC  
Certified Public Accountant

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August 15, 2011

To the Senior Management and  
The Board of Directors of  
Gleanings from the Harvest for Galveston

In planning and performing our audit of the financial statements of Gleanings from the Harvest for Galveston for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. (We previously reported on the Organization's internal control in our letter dated August 15, 2011.) This letter does not affect our report dated August 15, 2011, on the financial statements of Gleanings from the Harvest for Galveston.

We have already discussed many of these comments and suggestions with various Organization personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

**Year End Closing Procedures** - During our audit we found instances of changes being made directly to prior period balances for periods that should have been closed. We suggest that Gleanings develop a formal year end closing process utilizing the close feature in the software. Any necessary adjustments can be made in the current period as a prior period adjustment.

We wish to thank the Executive Director and his staff for their support and assistance during our audit.

This communication is intended solely for the information and use of management, Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Katherine Overbeck Maxwell CPA PLLC*  
Katherine Overbeck Maxwell, CPA, PLLC

Galveston, Texas

August 15, 2011