

Financial Statements

***SECOND HARVEST FOOD BANK OF
CENTRAL FLORIDA, INC.***

June 30, 2010 and 2009

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Financial Statements

June 30, 2010 and 2009

(With Independent Auditors' Report Thereon)

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

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Independent Auditors' Report

The Board of Directors
Second Harvest Food Bank of Central Florida, Inc.:

We have audited the accompanying statements of financial position of Second Harvest Food Bank of Central Florida, Inc. as of June 30, 2010 and 2009, and the related statements of activities, functional expenses, 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 audits.

We conducted our audits 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Second Harvest Food Bank of Central Florida, Inc. as of June 30, 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 October 15, 2010, on our consideration of Second Harvest Food Bank of Central Florida, Inc.'s internal control over financial reporting and 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 the 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 audits.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Second Harvest Food Bank of Central Florida, Inc. taken as a whole. The accompanying schedule of expenditures of federal, state and local 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Schatz, Tschagg, Whitcomb, Mitchell & Shuikan, LLP

Altamonte Springs, Florida
October 15, 2010

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Statements of Financial Position

June 30, 2010 and 2009

Assets

	<u>2010</u>	<u>2009</u>
Cash and equivalents	\$ 1,896,539	1,120,772
Restricted cash (note 1)	250,762	416,236
Investments (note 2)	1,494,456	1,114,386
Accounts receivable	167,357	199,746
Inventories (note 4)	2,390,476	1,669,968
Prepaid expenses and deposits	135,922	120,998
Contributions receivable (note 3)	1,356,932	1,007,210
Assets held by Community Foundation of Central Florida, Inc. (note 9)	165,874	148,219
Property and equipment, net (note 5)	<u>1,577,791</u>	<u>1,601,296</u>
Total assets	<u>\$ 9,436,109</u>	<u>7,398,831</u>

Liabilities and Net Assets

Liabilities		
Accounts payable and accrued expenses	<u>\$ 495,398</u>	<u>259,665</u>
Total liabilities	<u>495,398</u>	<u>259,665</u>
Commitments (note 10)		
Net assets		
Unrestricted:		
Designated by the board (note 6)	1,798,873	1,880,358
Undesignated, available for general activities	2,256,807	944,765
Donated inventories	2,259,695	1,514,860
Property and equipment	<u>1,577,791</u>	<u>1,601,296</u>
Total unrestricted net assets	7,893,166	5,941,279
Temporarily restricted (note 7)	<u>1,047,545</u>	<u>1,197,887</u>
Total net assets	<u>8,940,711</u>	<u>7,139,166</u>
Total liabilities and net assets	<u>\$ 9,436,109</u>	<u>7,398,831</u>

See accompanying notes to financial statements.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Statements of Activities

Years Ended June 30, 2010 and 2009

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and other support:						
Contributions and grants	\$ 5,022,702	888,304	5,911,006	3,261,598	796,032	4,057,630
Value of contributed inventory, vehicles, facilities and services	33,191,155	-	33,191,155	23,526,514	-	23,526,514
Fees from providing services paid by agencies	688,364	-	688,364	747,613	-	747,613
Purchased food sales	2,370,879	-	2,370,879	2,476,034	-	2,476,034
Net assets released from restrictions:						
Satisfaction of program restrictions	620,930	(620,930)	-	633,586	(633,586)	-
Funding for the year	443,707	(443,707)	-	491,563	(491,563)	-
Special events and other revenue	62,341	-	62,341	98,666	-	98,666
Investment income (loss)	125,547	25,991	151,538	(124,061)	(38,606)	(162,667)
Total revenues and other support	<u>42,525,625</u>	<u>(150,342)</u>	<u>42,375,283</u>	<u>31,111,513</u>	<u>(367,723)</u>	<u>30,743,790</u>
Expenses						
Program services (includes value of food distributed of \$32,469,750 in 2010 and \$23,290,302 in 2009)	38,798,572	-	38,798,572	28,609,682	-	28,609,682
Supporting activities:						
Management and general	573,279	-	573,279	546,783	-	546,783
Fund-raising and development	972,954	-	972,954	833,441	-	833,441
Total supporting activities	1,546,233	-	1,546,233	1,380,224	-	1,380,224
Total expenses	<u>40,344,805</u>	<u>-</u>	<u>40,344,805</u>	<u>29,989,906</u>	<u>-</u>	<u>29,989,906</u>
Increase (decrease) in net assets before other changes	2,180,820	(150,342)	2,030,478	1,121,607	(367,723)	753,884
Less other changes						
Depreciation of property and equipment	228,933	-	228,933	216,247	-	216,247
Change in net assets	1,951,887	(150,342)	1,801,545	905,360	(367,723)	537,637
Net assets at beginning of year	5,941,279	1,197,887	7,139,166	5,035,919	1,565,610	6,601,529
Net assets at end of year	<u>\$ 7,893,166</u>	<u>1,047,545</u>	<u>8,940,711</u>	<u>5,941,279</u>	<u>1,197,887</u>	<u>7,139,166</u>

See accompanying notes to financial statements

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Statements of Cash Flows

Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Increase in net assets	\$ 1,801,545	537,637
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	228,933	216,247
In-kind contributions of food	(33,010,167)	(23,526,514)
In-kind contribution of vehicles	(180,988)	-
Distribution of food received in-kind	32,469,750	23,290,302
Unrealized (gains) losses on investments	(92,315)	167,716
Loss on disposal of property and equipment	5,889	-
Net increase (decrease) in cash flow from changes in:		
Restricted cash	165,474	282,123
Accounts receivable	68,973	(50,351)
Inventories	897	(9,832)
Prepaid expenses and deposits	(14,954)	(24,118)
Contributions receivable	(393,193)	(161,087)
Assets held by the Community Foundation of Central Florida, Inc.	(17,655)	38,606
Accounts payable and accrued expenses	235,733	61,310
Net cash provided by operating activities	<u>1,267,922</u>	<u>822,039</u>
Cash flows from investing activities:		
Proceeds from sale of investments	827,350	548,208
Purchase of investments	(1,115,105)	(877,111)
Purchase of property and equipment	(204,400)	(435,987)
Net cash used in investing activities	<u>(492,155)</u>	<u>(764,890)</u>
Net increase in cash and cash equivalents	775,767	57,149
Cash and cash equivalents at beginning of year	<u>1,120,772</u>	<u>1,063,623</u>
Cash and cash equivalents at end of year	<u>\$ 1,896,539</u>	<u>1,120,772</u>

See accompanying notes to financial statements.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Statement of Functional Expenses

Year Ended June 30, 2010

	<u>Programs</u>	<u>Management and General</u>	<u>Fund-raising and Development</u>	<u>Total</u>
Salaries and wages	\$ 1,877,686	304,654	270,248	2,452,588
Employee benefits and payroll taxes	457,699	75,410	61,767	594,876
Total salaries and benefits	<u>2,335,385</u>	<u>380,064</u>	<u>332,015</u>	<u>3,047,464</u>
Value of donated food distributed	32,460,991	-	-	32,460,991
Contract labor	14,939	4,208	-	19,147
Accounting fees	-	10,550	-	10,550
Building maintenance	71,372	-	-	71,372
Direct mail and special events	-	6,803	333,964	340,767
Food purchases	2,676,872	-	-	2,676,872
Insurance	58,394	4,022	757	63,173
Licenses and fees	740	520	-	1,260
Maintenance and rental of equipment	223,839	8,550	5,247	237,636
Meetings, conferences, conventions, and local transportation	69,314	14,372	13,042	96,728
Miscellaneous	17,356	62,677	1,275	81,308
National dues	27,316	-	-	27,316
Occupancy	247,164	-	3,873	251,037
Office expenses and supplies	66,114	4,984	3,873	74,971
Postage and shipping	3,595	1,413	12,421	17,429
Printing and publications	12,563	881	16,999	30,443
Professional and contractual fees	68,447	65,072	237,232	370,751
Telephone	24,045	6,041	7,601	37,687
Trucking, freight, and fuel costs	295,797	398	359	296,554
Utility costs	118,440	2,724	4,296	125,460
Loss on disposal of fixed assets	5,889	-	-	5,889
Total expenses before depreciation	<u>38,798,572</u>	<u>573,279</u>	<u>972,954</u>	<u>40,344,805</u>
Depreciation of property and equipment	228,933	-	-	228,933
Total expenses	<u>\$ 39,027,505</u>	<u>573,279</u>	<u>972,954</u>	<u>40,573,738</u>

See accompanying notes to financial statements

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Statement of Functional Expenses

Year Ended June 30, 2009

	<u>Programs</u>	<u>Management and General</u>	<u>Fund-raising and Development</u>	<u>Total</u>
Salaries and wages	\$ 1,490,219	341,063	261,697	2,092,979
Employee benefits and payroll taxes	382,315	76,000	50,162	508,477
Total salaries and benefits	<u>1,872,534</u>	<u>417,063</u>	<u>311,859</u>	<u>2,601,456</u>
Value of donated food distributed	23,290,302	-	-	23,290,302
Contract labor	1,101	-	-	1,101
Accounting fees	-	12,500	-	12,500
Building maintenance	56,032	1,703	4,946	62,681
Direct mail and special events	-	1,044	319,033	320,077
Food purchases	2,376,066	-	-	2,376,066
Insurance	78,982	4,653	1,051	84,686
Licenses and fees	660	50	400	1,110
Maintenance and rental of equipment	142,766	12,766	4,164	159,696
Meetings, conferences, conventions, and local transportation	49,699	20,944	12,823	83,466
Miscellaneous	7,058	19,109	2,264	28,431
National dues	23,607	-	-	23,607
Occupancy	246,691	-	3,959	250,650
Office expenses and supplies	60,063	3,734	3,698	67,495
Postage and shipping	1,682	1,198	12,624	15,504
Printing and publications	5,405	3,171	19,214	27,790
Professional and contractual fees	61,497	41,472	127,013	229,982
Telephone	35,660	5,141	7,601	48,402
Trucking, freight, and fuel costs	209,796	-	-	209,796
Utility costs	90,081	2,235	2,792	95,108
Total expenses before depreciation	<u>28,609,682</u>	<u>546,783</u>	<u>833,441</u>	<u>29,989,906</u>
Depreciation of property and equipment	216,247	-	-	216,247
Total expenses	<u>\$ 28,825,929</u>	<u>546,783</u>	<u>833,441</u>	<u>30,206,153</u>

See accompanying notes to financial statements

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Notes to Financial Statements

June 30, 2010 and 2009

(1) **Summary of Significant Accounting Policies**

(a) **Organization**

Second Harvest Food Bank of Central Florida, Inc. (the "Food Bank" or "Organization"), a Florida not-for-profit corporation organized to serve as a clearing house to collect, store, and redistribute surplus food to charitable 501(c)(3) organizations that operate on-site or emergency food distribution services.

Donors, such as processors, wholesalers, distributors, restaurants and resorts, provide the Food Bank with usable food that is not saleable because the food has been overproduced, discontinued, or will soon be out-of-date.

The Food Bank is a member of Feeding America, a network of food banks and food rescue organizations nationwide that collect food from throughout the food industry for distribution to non-profit feeding programs.

(b) **Income Taxes**

The Internal Revenue Service has approved the Food Bank as a nonprofit corporation exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the accompanying financial statements.

(c) **Basis of Presentation**

The financial statements are prepared on the accrual basis of accounting, which recognizes revenues when earned and expenses when incurred.

Categories presented in the statement of activities are as follows:

Unrestricted – Net assets that are free of donor-imposed restrictions; all revenues, expenses, gains and losses that are not changes in permanently or temporarily restricted assets. The Food Bank reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. All other contributions are considered unrestricted. Additionally, the Food Bank reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

(Continued)

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies (Continued)

(c) Basis of Presentation (Continued)

Temporarily Restricted – Net assets whose use by the Food Bank is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled by actions of the Food Bank pursuant to those stipulations. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Food Bank reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

(d) 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.

(e) Cash and Cash Equivalents

The Food Bank considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

(f) Restricted Cash

Cash designated for a specific purpose by the Board of Directors or which is externally restricted by agreements is classified as restricted cash. Such cash is excluded from the statements of cash flows, as it is not available for general operating purposes. Restricted cash consists of the following at June 30,:

	<u>2010</u>	<u>2009</u>
Restricted for:		
Program services	\$ -	214,896
Designated by the board for:		
Capital replacement	<u>250,762</u>	<u>201,340</u>
	<u>\$ 250,762</u>	<u>416,236</u>

(Continued)

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Notes to Financial Statements

(1) **Summary of Significant Accounting Policies (Continued)**

(g) **Investments**

At June 30, 2010 and 2009, the Food Bank's investment portfolio consisted of marketable equity and debt securities carried at fair value. The Food Bank generally derives the fair value of its securities based on quoted market prices.

(h) **Inventories**

Purchased food inventory is stated at the lower of cost (determined on first-in, first-out basis) or market.

USDA food inventory is valued at the wholesale value of one case of donated product as determined by USDA.

Donated food inventory is valued at the approximate average wholesale value of one pound of donated product at the national level as outlined in the Product Valuation Survey Methodology prepared by Feeding America, July 1, 2010. This value was \$1.60 per pound and \$1.58 per pound in 2010 and 2009, respectively.

(i) **Property and Equipment**

Purchased property and equipment are stated at cost. Donated property and equipment are stated at estimated fair market value at the date of donation. Depreciation is computed on a straight-line method over the estimated useful lives of the related assets which range from 3 to 30 years.

(j) **Contributed Materials and Services**

Contributions other than cash, including unconditional pledges, with clearly measurable bases are recorded at their estimated fair value at date of receipt. Such values for non-cash contributions are reflected in the financial statements as both revenue and expense.

(Continued)

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Notes to Financial Statements

(1) **Summary of Significant Accounting Policies (Continued)**

(j) **Contributed Materials and Services (Continued)**

A substantial number of unpaid volunteers have made significant contributions of their time to provide assistance to the Food Bank in its program and support activities. The value of contributed time of part-time volunteers is not reflected in these statements since it is not susceptible to objective measurement or valuation. During fiscal 2010 and 2009, these part-time volunteers provided approximately 33,000 and 31,000 hours of service, respectively, to the Food Bank.

(k) **Functional Allocation of Expenses**

The costs of providing program services and supporting activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(l) **Concentration of Credit Risk**

The Food Bank solicits food on behalf of participating local social service agencies, all of which are 501(c)(3) organizations. These agencies contribute to the costs of food collection and storage by paying the Food Bank a "handling fee" for food received. The Food Bank grants credit to these agencies, all of which are located in Central Florida.

The Food Bank maintains its cash and cash equivalents in deposit and money market accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant risk related to cash and cash equivalents.

(m) **Subsequent Events**

In preparing these financial statements, the Food Bank has evaluated subsequent events and transactions for potential recognition and disclosure through October 15, 2010, which is the date the financial statements were available to be issued.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Notes to Financial Statements

(2) Investments

Generally accepted accounting principles defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements which currently applies to all financial assets and liabilities, as well as for any other assets and liabilities that are carried at fair value on a recurring basis.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. These principles also establish a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value using three levels of inputs as follows:

Level 1: quoted prices in active markets for identical assets or liabilities

Level 2: quoted prices for similar assets and liabilities in active markets or inputs that are observable

Level 3: inputs that are unobservable (for example, cash flow modeling based on assumptions)

The Food Bank did not change its valuation techniques during the year and continues to use Level 1 inputs to measure the fair value of its investments.

The following table summarizes the valuation of the Food Bank's financial assets measured at fair value on a recurring basis as of June 30, 2010 and 2009, based on level 1 inputs utilized to measure fair value:

	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Mutual funds	\$ 969,594	997,494	537,514	487,074
Fixed income investments	497,000	496,962	623,823	627,312
	<u>\$ 1,466,594</u>	<u>1,494,456</u>	<u>1,161,337</u>	<u>1,114,386</u>

Investment income (losses) as reported in the accompanying statements of activities include unrealized gains of \$92,315 in 2010 and unrealized losses of \$167,716 in 2009 associated with the investments reflected herein.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Notes to Financial Statements

(3) Contributions Receivable

As of June 30, 2010, contributors to the Organization have unconditionally promised to give the following amounts:

Receivable in less than one year	\$ 1,445,927
Receivable in one to four years	<u>112,201</u>
Total	1,558,128
Less: allowance for uncollectible accounts	(166,453)
Discounts to net present value	<u>(34,743)</u>
Net contributions receivable	<u>\$ 1,356,932</u>

Unconditional promises to give, receivable in more than one year, are discounted to net present value using an interest rate of 6.5%.

(4) Inventories

Inventories at June 30, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Donated food	\$ 1,869,543	1,131,613
USDA food	390,152	383,247
Purchased food	<u>130,781</u>	<u>155,108</u>
	<u>\$ 2,390,476</u>	<u>1,669,968</u>

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Notes to Financial Statements

(5) Property and Equipment

The following is a summary of the components of property and equipment at June 30, 2010 and 2009 and their estimated useful lives:

	<u>Estimated Useful Lives</u>	<u>2010</u>	<u>2009</u>
Land	-	\$ 162,798	162,798
Building and improvements	30 years	1,565,891	1,565,891
Office furniture and equipment	5 - 7 years	208,112	187,328
Warehouse equipment	5 - 7 years	394,643	441,621
Trucks	3 years	838,793	853,449
		<u>3,170,237</u>	<u>3,211,087</u>
Less accumulated depreciation		<u>(1,592,446)</u>	<u>(1,609,791)</u>
		<u>\$ 1,577,791</u>	<u>1,601,296</u>

(6) Designated Fund Balances

At June 30, 2010 and 2009, the Board of Directors had designated funds for the following purposes:

	<u>2010</u>	<u>2009</u>
Capital replacements	\$ 250,762	201,340
Program services	1,537,843	1,668,750
Disaster relief	10,268	10,268
	<u>\$ 1,798,873</u>	<u>1,880,358</u>

The amount of these reserves was determined based on management's estimates of the remaining useful lives of capital equipment and estimated replacement cost for capital replacement reserves, and management's and the Board's efforts to achieve reserves equal to three months of operations available for program service reserves. These program service reserves at June 30, 2010 represent approximately three months of operations.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Notes to Financial Statements

(7) **Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, 2010 and 2009 are restricted for the following purposes:

	<u>2010</u>	<u>2009</u>
Feeding America	\$ -	82,262
Universal Pantry Plus	-	100,000
Pledges for periods after July 1	696,042	687,815
Assets held by Community Foundation of Central Florida, Inc.	165,874	148,219
Emergency Food and Shelter Program	168,939	158,676
Other	16,690	20,915
	<u>\$ 1,047,545</u>	<u>1,197,887</u>

(8) **Retirement Benefit Plans**

The Food Bank has a 403(b) Plan in which employees who normally work at least twenty hours per week and are at least 21 years of age are eligible to participate. Eligible employees may elect to contribute up to twenty percent of their compensation to the Plan. The Food Bank, at its discretion, may match participant contributions in an amount to be determined from year to year. The Food Bank may also make discretionary employer contributions based on qualifying participant compensation in an amount to be determined from year to year. Total contributions made by the Food Bank during fiscal years 2010 and 2009 were \$50,546 and \$46,117, respectively.

(9) **Community Foundation of Central Florida, Inc. Endowment**

The Food Bank has established an endowment with the Community Foundation of Central Florida, Inc. This endowment will provide a permanent source of income for the Food Bank. Future income may be withdrawn or added to the principal balance of the endowment at the Food Bank's discretion. The Food Bank's endowment is carried as an asset on its balance sheet as required by current financial accounting standards.

(Continued)

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Notes to Financial Statements

(9) Community Foundation of Central Florida, Inc. Endowment (Continued)

The Board of Directors of the Community Foundation of Central Florida, Inc. shall have the power to modify or eliminate any restriction, limitation, or condition on the distribution of funds, including their use for any specified purposes or their distribution to specific organizations, if the Board of Directors determines that such restriction, limitation or condition becomes by material and significant change of circumstances in effect unnecessary, incapable of fulfillment, or inconsistent with the proper charitable, religious, scientific, literary, cultural or educational uses and purposes of the Central Florida area.

(10) Lease Commitments

The Organization leases equipment under long-term non-cancelable operating leases. Rental expense for all long-term operating leases was \$301,104 for the year ended June 30, 2010. Future minimum payments applicable to long-term non-cancelable operating leases for the five years subsequent to June 30, 2010 are approximately as follows:

Year ended June 30,

2011	\$ 239,000
2012	109,000
2013	94,000
2014	85,000
2015	12,000

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Schedule of Expenditures of Federal, State and Local Awards

Year ended June 30, 2010

Federal/Pass-Through Grantor/Program Title	Period of Award	Contract Number	Federal CFDA No.	Amount of Award	Expenditures
United States Department of Agriculture: Florida Department of Agriculture and Consumer Services: The Emergency Food Assistance Program (TEFAP) Food Distribution	7/1/08 to 6/30/09	-	10.569	3,606,653	\$ 89,244 *
Food Distribution	7/1/09 to 6/30/10	-	10.569	4,919,271	4,919,271 *
Food Distribution - ARRA	7/1/09 to 6/30/10	-	10.569	610,207	610,207 *
					<u>5,618,722</u>
Florida Department of Health: The Child and Adult Care Food Program	10/1/08 to 9/30/09	A-1548	10.558	89,971	89,971
The Child and Adult Care Food Program	10/1/09 to 9/30/10	A-1548	10.558	113,572	113,572
					<u>203,543</u>
Florida Department of Agriculture and Consumer Services: The Emergency Food Assistance Program (TEFAP) - Administrative Costs	10/1/09 to 9/30/10	12843	10.568	508,807	378,466
The Emergency Food Assistance Program (TEFAP) - Administrative Costs - ARRA	10/1/09 to 9/30/10	15516	10.568	520,838	186,410
					<u>564,876</u>
Florida Department of Education: The Summer Food Service Program for Children	5/1/09 to 9/30/09	04-0276	10.559	71,702	71,702
Florida Department of Children and Families Supplemental Nutrition Assistance Program	1/1/09 to 9/30/09	LF-900	10.561	96,204	73,311
Supplemental Nutrition Assistance Program	1/1/10 to 9/30/12	LF-903	10.561	303,823	84,611
					<u>157,922</u>
Total United States Department of Agriculture					<u>\$ 6,616,765</u>
United States Department of Health and Human Services Public Health and Social Services Emergency Fund					
Florida Department of Children & Families Haitian-American Repatriation Contract	1/15/10 to 2/8/10	MKH08	93.003	13,000	\$ 5,109
Total United States Department of Health and Human Services					<u>\$ 5,109</u>
United States Department of Homeland Security, Federal Emergency Management Agency: The Seminole County Emergency Food and Shelter Program Local Board: Heart of Florida United Way: The Emergency Food and Shelter National Board Program - Phase 27 The Emergency Food and Shelter National Board Program - Phase 28	12/31/09 12/31/10	171800-010 171800-010	97.024 97.024	30,000 30,000	\$ 15,000 15,000
					<u>30,000</u>

(Continued)

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Schedule of Expenditures of Federal, State and Local Awards (Continued)

Year ended June 30, 2010

Federal/Pass-Through Grantor/Program Title	Period of Award	Contract Number	Federal CFDA No.	Amount of Award	Expenditures
The United Way of Brevard County:					
The Emergency Food and Shelter National Board Program	2/18/09 to 9/30/09	156600-034	97.024	25,000	12,500
The Emergency Food and Shelter National Board Program	3/11/10 to 9/30/10	156600-034	97.024	25,000	12,500
					25,000
The Orange County Emergency Food and Shelter Program Board:					
The Emergency Food and Shelter National Board Program - Phase 27	3/5/09 to 9/30/09	168000-022	97.024	54,000	27,000
The Emergency Food and Shelter National Board Program - Phase 28	3/25/10 to 8/31/10	168000-022	97.024	54,000	27,000
					54,000
The United Way of Volusia-Flagler Counties, Inc.:					
The Emergency Food and Shelter National Board Program	3/16/09 to 12/31/09	172800-027	97.024	10,000	5,000
The Emergency Food and Shelter National Board Program	3/16/10 to 12/31/10	172800-027	97.024	11,000	5,500
					10,500
					\$ 119,500
Emergency Food and Shelter National Board Program					
Orange County, Florida EFSP Board - ARRA	12/31/09	168000-022	97.114	38,000	38,000
Osceola County, Florida EFSP Board - ARRA	12/31/09	-	97.114	5,700	5,700
Seminole County, Florida EFSP Local Board - ARRA	12/31/09	171800-010	97.114	15,000	15,000
United Way of Volusia-Flagler Counties, Inc. - ARRA	12/31/09	172800-027	97.114	10,000	10,000
United Way of Brevard County - ARRA	12/31/09	156600-034	97.114	15,000	15,000
					83,700
Total United States Department of Homeland Security, Federal Emergency Management Agency					203,200
Total Federal Assistance					\$ 6,825,074

* In-kind value of donated food

(Continued)

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Schedule of Expenditures of Federal, State and Local Awards (Continued)

Year ended June 30, 2010

Federal/Pass-Through Grantor/Program Title	Period of Award	Contract Number	Federal CFDA No.	Amount of Award	Expenditures
Florida Department of Children and Families Access Florida Community Network	7/1/09 to 6/30/10	-	-	19,800	\$ 18,150
Total State Awards					\$ 18,150
Orange County, Florida: Health and Family Services Department Health and Family Services Department	10/1/08 to 9/30/09 10/1/09 to 9/30/10	Y9-2027 Y10-2025	- -	37,152 33,437	\$ 9,288 25,078
Total Orange County					\$ 34,366
Volusia County, Florida: Community Assistance Community Assistance	10/1/09 to 9/30/09 10/1/07 to 9/30/08	CS-9048 CS-9048	- -	6,600 6,600	\$ 1,650 4,950
Total Volusia County					\$ 6,600
Total Local Awards					\$ 59,116

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and local awards includes the federal and local grant activity of Second Harvest Food Bank of Central Florida, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Note 2. Food Distribution

Included in the Schedule of Expenditures of Federal, State and Local Awards is in-kind food items received through the Emergency Food Assistance Program. For the year ended June 30, 2010, Second Harvest Food Bank of Central Florida, Inc. distributed 7,358,915 pounds of food valued at \$.76 per pound.

Note 3. Major Programs

Major programs are identified in the Summary of Audit results section of the Schedule of Findings and Questioned Costs.

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Independent Auditors' 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
Second Harvest Food Bank of Central Florida, Inc.

We have audited the financial statements of Second Harvest Food Bank of Central Florida, Inc. (the "Food Bank") as of and for the year ended June 30, 2010, and have issued our report thereon dated October 15, 2010. We conducted our audits 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 Second Harvest Food Bank of Central Florida, Inc.'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 the Food Bank's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Food Bank's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Second Harvest Food Bank of Central Florida, 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*.

This report is intended solely for the information and use of the audit committee, Board of Directors, management, others within the organization, 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.

Schatz, Tschopp, Whitcomb, Mitchell & Shuidan, LLP

Altamonte Springs, Florida
October 15, 2010

SCHAFFER, TSCHOPP, WHITCOMB, MITCHELL & SHERIDAN, LLP

Certified Public Accountants

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Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Directors
Second Harvest Food Bank of Central Florida, Inc.

Compliance

We have audited the compliance of Second Harvest Food Bank of Central Florida, Inc., with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. Second Harvest Food Bank of Central Florida, Inc.'s major federal programs are identified in the summary of the auditors' 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 Second Harvest Food Bank of Central Florida, Inc.'s management. Our responsibility is to express an opinion on compliance based on our audits.

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 Second Harvest Food Bank of Central Florida, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion. Our audits do not provide a legal determination on Second Harvest Food Bank of Central Florida, Inc.'s compliance with those requirements.

In our opinion, Second Harvest Food Bank of Central Florida, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2010.

Internal Control Over Compliance

The Management of Second Harvest Food Bank of Central Florida, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audits, we considered Second Harvest Food Bank of Central Florida, Inc.'s internal control over compliance with requirements that could have a direct material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Second Harvest Food Bank of Central Florida, Inc.'s internal control over compliance.

A control deficiency in an organization's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the organization's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

This report is intended solely for the information and use of the audit committee, Board of Directors, management, others within the organization, 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.

Schaefer, Tschoff, Whitcomb, Mitchell & Shuilen, LLP

Altamonte Springs, Florida
October 15, 2010

Second Harvest Food Bank of Central Florida, Inc.
Schedule of Findings and Questioned Costs
Year ended June 30, 2010

A. Summary of the Audit Results

1. The Auditors' report expresses an unqualified opinion on the financial statements of Second Harvest Food Bank of Central Florida, Inc.
2. No significant deficiencies were disclosed during the audit of the financial statements and is reported in the Independent Auditors' 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*.
3. No instances of noncompliance material to the financial statements of Second Harvest Food Bank of Central Florida, Inc. were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over the major federal award program were disclosed during the audit in the Independent Auditors' Report on Compliance with Requirements Applicable to Each Federal Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award program for Second Harvest Food Bank of Central Florida, Inc. expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award program for Second Harvest Food Bank of Central Florida, Inc. that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as a major program was the Food Distribution, CFDA Number 10.569 and Administrative Costs, CFDA Number 10.568.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Second Harvest Food Bank of Central Florida, Inc. was determined to be a low-risk auditee.

B. Financial Statement Findings Section

None

Second Harvest Food Bank of Central Florida, Inc.
Schedule of Findings and Questioned Costs
Year ended June 30, 2010

C. Federal Award Finding and Questioned Costs Section

None

D. Summary Schedule of Prior Audit Findings

1. No summary schedule of prior audit findings is required because there are no prior audit findings related to federal programs.