

*Financial Statements*

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

*June 30, 2011 and 2010*

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

**Financial Statements**

**June 30, 2011 and 2010**

**(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, 2011 and 2010, and the related statements of activities, changes in net assets, 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, 2011 and 2010, 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 September 19, 2011, on our consideration of Second Harvest Food Bank of Central Florida, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 audits 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 financial statements 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 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.

*Schatz, Tschopp, Whittemt, Mitchell & Shuikan, LLP*

Altamonte Springs, Florida  
September 19, 2011

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

**Statements of Financial Position**

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b><u>Assets</u></b>		
Cash and equivalents	\$ 1,682,002	2,147,301
Restricted cash (note 1)	302,150	-
Investments (note 2)	1,115,132	1,494,456
Accounts receivable	211,683	167,357
Inventories (note 4)	2,928,403	3,180,510
Prepaid expenses and deposits	67,615	135,921
Contributions receivable (note 3)	789,323	1,356,932
Assets held by Community Foundation of Central Florida, Inc. (note 9)	199,205	165,875
Property and equipment, net (note 5)	<u>3,708,563</u>	<u>1,577,791</u>
Total assets	<u>\$ 11,004,076</u>	<u>10,226,143</u>
<b><u>Liabilities and Net Assets</u></b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	<u>\$ 370,932</u>	<u>495,398</u>
Total liabilities	<u>370,932</u>	<u>495,398</u>
Commitments (note 10)		
Net assets		
Unrestricted:		
Designated by the board (note 6)	2,080,753	1,964,748
Undesignated, available for general activities	1,350,729	2,256,807
Donated inventories	2,802,223	3,049,729
Property and equipment	<u>3,708,563</u>	<u>1,577,791</u>
Total unrestricted net assets	9,942,268	8,849,075
Temporarily restricted (note 7)	<u>690,876</u>	<u>881,670</u>
Total net assets	<u>10,633,144</u>	<u>9,730,745</u>
Total liabilities and net assets	<u>\$ 11,004,076</u>	<u>10,226,143</u>

See accompanying notes to financial statements.



SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Statements of Changes in Net Assets

Years ended June 30, 2011 and 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Net assets at June 30, 2009, as previously reported	\$ 6,089,498	1,049,668	7,139,166
Adjustment for change in method of valuing certain inventory (note 11)	<u>358,367</u>	<u>-</u>	<u>358,367</u>
Net assets at June 30, 2009, as restated	6,447,865	1,049,668	7,497,533
Change in net assets	<u>2,401,210</u>	<u>(167,998)</u>	<u>2,233,212</u>
Net assets at June 30, 2010	8,849,075	881,670	9,730,745
Change in net assets	<u>1,093,193</u>	<u>(190,794)</u>	<u>902,399</u>
Net assets at June 30, 2011	<u>\$ 9,942,268</u>	<u>690,876</u>	<u>10,633,144</u>

See accompanying notes to financial statements



SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Statements of Cash Flows

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Increase in net assets	\$ 902,399	2,233,212
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	280,151	228,933
In-kind contributions of food	(51,432,327)	(39,837,660)
In-kind contributions of equipment	(67,714)	(180,988)
Distribution and spoilage of in-kind contributions of food	51,679,823	38,661,158
Net realized and unrealized (gains) losses on investments	(155,439)	(92,315)
Loss on disposal of property and equipment	-	5,860
Net increase (decrease) in cash flow from changes in:		
Restricted cash	(302,150)	416,236
Accounts receivable	(44,326)	32,389
Purchased inventories	4,611	24,327
Prepaid expenses and deposits	68,306	(14,923)
Contributions receivable	567,609	(349,722)
Assets held by the Community Foundation of Central Florida, Inc.	(33,330)	(17,656)
Accounts payable and accrued expenses	(124,466)	235,733
Net cash provided by operating activities	<u>1,343,147</u>	<u>1,344,584</u>
Cash flows from investing activities:		
Proceeds from sale of investments	960,982	827,350
Purchase of investments	(426,219)	(1,115,105)
Purchase of property and equipment	(2,343,209)	(30,300)
Net cash used in investing activities	<u>(1,808,446)</u>	<u>(318,055)</u>
Net increase in cash and cash equivalents	(465,299)	1,026,529
Cash and cash equivalents at beginning of year	<u>2,147,301</u>	<u>1,120,772</u>
Cash and cash equivalents at end of year	<u>\$ 1,682,002</u>	<u>2,147,301</u>

See accompanying notes to financial statements.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Statement of Functional Expenses

Year Ended June 30, 2011

	<u>Programs</u>	<u>Management and General</u>	<u>Fund-raising and Development</u>	<u>Total</u>
Salaries and wages	\$ 1,987,565	307,489	348,204	2,643,258
Employee benefits and payroll taxes	533,640	102,818	83,953	720,411
Total salaries and benefits	<u>2,521,205</u>	<u>410,307</u>	<u>432,157</u>	<u>3,363,669</u>
Value of donated food distributed	51,679,823	-	-	51,679,823
Contract labor	83,565	25,979	-	109,544
Accounting fees	-	7,424	-	7,424
Building maintenance	60,557	-	-	60,557
Direct mail and special events	-	5,461	552,353	557,814
Food purchases	2,617,827	-	-	2,617,827
Insurance	65,522	4,257	348	70,127
Licenses and fees	2,893	50	-	2,943
Maintenance and rental of equipment	217,866	11,791	3,886	233,543
Meetings, conferences, conventions, and local transportation	73,320	34,419	35,912	143,651
Miscellaneous	38,210	27,295	4,055	69,560
National dues	7,475	-	-	7,475
Occupancy	206,346	-	1,904	208,250
Office expenses and supplies	63,063	7,387	4,908	75,358
Postage and shipping	5,944	2,012	7,330	15,286
Printing and publications	6,550	83	16,546	23,179
Professional and contractual fees	74,315	58,669	23,590	156,574
Telephone	44,804	7,806	7,955	60,565
Trucking, freight, and fuel costs	386,076	-	-	386,076
Utility costs	111,915	3,160	3,734	118,809
Total expenses before depreciation	<u>58,267,276</u>	<u>606,100</u>	<u>1,094,678</u>	<u>59,968,054</u>
Depreciation of property and equipment	243,731	36,420	-	280,151
Total expenses	<u>\$ 58,511,007</u>	<u>642,520</u>	<u>1,094,678</u>	<u>60,248,205</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	38,661,158	-	-	38,661,158
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	2,700,330	-	-	2,700,330
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	5,860	-	-	5,860
Total expenses before depreciation	<u>45,022,168</u>	<u>573,279</u>	<u>972,954</u>	<u>46,568,401</u>
Depreciation of property and equipment	228,933	-	-	228,933
Total expenses	<u>\$ 45,251,101</u>	<u>573,279</u>	<u>972,954</u>	<u>46,797,334</u>

See accompanying notes to financial statements

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Notes to Financial Statements

June 30, 2011 and 2010

(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) **Basis of Presentation**

The accompanying financial statements are presented on the accrual basis and represent the financial position and results of operations of the Food Bank.

The Food Bank has adopted the provisions of Financial Accounting Standards Board ASC 958, Accounting for Contributions Received and Contributions Made and Financial Statements for Not-for-Profit Organizations.

These financial statements are prepared on an entity wide basis, focusing on the organization as a whole and present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by aggregating all funds into one set of financial statements and classifying fund balances and transactions into three classes of net assets – permanently restricted, temporarily restricted or unrestricted as follows:

**Permanently restricted net assets** - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Food Bank. There were no permanently restricted net assets as of or for the years ended June 30, 2011 and 2010.

(Continued)

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Notes to Financial Statements

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

(b) **Basis of Presentation (Continued)**

**Temporarily restricted net assets** - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Food Bank and/or the passage of time (see note 7).

**Unrestricted net assets** - Net assets not subject to donor-imposed stipulations. The Food Bank reports donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

Under generally accepted accounting principles, contributions are generally recognized as revenue when the gift is made and are recorded as unrestricted, temporarily restricted or permanently restricted, depending on the presence or absence and type of donor imposed restrictions or conditions.

Revenue and public support are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as unrestricted support.

Contributions, including unconditional promises to give, less an allowance for uncollectible accounts, are recognized as revenue in the period made or received. United Way and other pledges are recorded as unconditional promises to give and temporarily restricted net assets in the period that notification is received. Pledges are discounted, using a market discount rate, to present value for collections expected in future years. Accretion of the discount in subsequent years is also recorded as contribution revenue. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. The Organization also receives indications of intent to support, which are commitments that are open-ended and subject to unilateral change by the donor. The amounts are not measurable since the commitments do not express a term or period. Thus, they are not considered to be unconditional promises to give and are not recognized prior to the receipt of the contribution.

(Continued)

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Notes to Financial Statements

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

(b) **Basis of Presentation (Continued)**

Contributions of assets, materials, and facilities are recorded at their estimated fair value at the date of gift. Such values are recorded in the financial statements as an asset or expense and revenue. For the years ended June 30, 2011 and 2010, in-kind contributions consisted of donated equipment valued at \$67,714 and \$180,988, and USDA food inventory and donated food inventory valued at \$51,432,327 and \$39,837,660, respectively. Contributed food inventory was redistributed to charitable organizations at a value of \$51,679,823 and \$38,661,158 for the years ended June 30, 2011 and 2010, respectively. In addition, the Organization receives contributed time related to various program services and construction projects. These contributed services are recorded at their estimated fair value at the date of service if they meet the following criteria: (a) the services would have otherwise been purchased by the Organization, and (b) the services required specialized skills. For the years ended June 30, 2011 and 2010, there were no contributed services. Donated use of facilities is recognized as expense and revenue. For the years ended June 30, 2011 and 2010, there were no donated use of facilities.

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 2011 and 2010, these part-time volunteers provided approximately 35,000 and 33,000 hours of service, respectively, to the Food Bank.

(c) **Liquidity**

Assets are presented in the accompanying statement of financial position according to their nearness of conversion to cash and liabilities according to their nearness of maturity and resulting use of cash.

(d) **Allowance for Doubtful Accounts**

The Food Bank estimates doubtful accounts based on historical bad debts, factors related to the specific payer's ability to pay, and current economic trends. Accounts receivable are written off when a balance is determined to be uncollectible. No allowance is established at June 30, 2011 as management believes all amounts are collectible.

(Continued)

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Notes to Financial Statements

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

(e) **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.

(f) **Cash and Cash Equivalents**

For the purposes of the statements of cash flows, the Food Bank considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

(g) **Restricted Cash**

Cash 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>2011</u>	<u>2010</u>
Restricted for:		
Program services	\$ 35,000	-
Food acquisition	168,834	-
Equipment purchases	98,316	-
	<u>\$ 302,150</u>	<u>-</u>

(h) **Inventories**

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

USDA food inventory and 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, December 31, 2010. This value was \$1.66 per pound and \$1.60 per pound in 2011 and 2010, respectively.

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SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

**Notes to Financial Statements**

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

**(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) Income Taxes**

The Food Bank is exempt from federal income tax under provision of Section 501(c)(3) of the Internal Revenue Code. In addition, the Food Bank has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Consequently, no provision for income taxes has been included in the accompanying financial statements.

At July 1, 2009, the Food Bank adopted new provisions of the Income Tax Topic of the ASC. These provisions clarify the accounting for uncertainty in tax positions and prescribe guidance related to the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The tax benefit from an uncertain tax position is only recognized in the statement of financial position if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Interest and penalties, if any, are included in expenses in the statement of activities. As of June 30, 2011, the Food Bank had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

**(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.

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SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Notes to Financial Statements

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

(l) **Concentration of Credit Risk (Continued)**

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) **Fair Value of Financial Instruments**

The Food Bank's financial instruments are cash and cash equivalents, investments, prepaid expenses and deposits, short-term receivables, long-term receivables, accounts payable and accrued expenses.

The recorded values of cash and cash equivalents, prepaid expenses and deposits, short-term receivables, accounts payable and accrued expenses approximate their fair value based on their short-term nature.

The recorded net present value of long-term receivables approximates fair value, as the discount rate approximates market rates.

The recorded value of investments approximates fair value based on quoted market prices (Level 1 inputs) in active market for identical assets or liabilities (see note 2).

(n) **Long-Lived Assets**

The Food Bank follows the policy of lifting restrictions on contributions of cash and other assets received for the acquisition of long-lived assets when the long-lived assets are acquired.

In accordance with generally accepted accounting principles, long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Food Bank first compares undiscounted cash flows expected to be generated by an asset to the carrying

(Continued)

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

**Notes to Financial Statements**

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

(n) **Long-Lived Assets (Continued)**

value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market value and third-party independent appraisals, as considered necessary. No impairment charges have been recorded in the accompanying consolidated financial statements related to long-lived assets.

(o) **Reclassifications**

Certain reclassifications have been made within the 2010 financial statements to conform to the 2011 presentation.

(p) **Subsequent Events**

In preparing these financial statements, the Food Bank has evaluated subsequent events and transactions for potential recognition and disclosure through September 19, 2011, which is the date the financial statements were available to be issued.

(2) **Investments**

The Food Bank has adopted accounting standards for fair value measurements, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements of assets and liabilities to include disclosure about inputs used in the determination of fair value using the three categories listed below.

These accounting standards apply under other accounting pronouncements previously issued by the Financial Accounting Standards Board, or FASB, which require or permit fair measurements. The adoption of the new accounting standards did not impact the Organization's financial position or results of operations.

Fair value is defined under "Fair Value Measurements and Disclosures," FASB Accounting Standards Codification Topic 820 (Topic 820) as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. Topic 820 also establishes a

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SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Notes to Financial Statements

(2) Investments (Continued)

three-level hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels of inputs to the valuation methodology are:

- Level 1 quoted prices (unadjusted) for an identical asset or liability in an active market.
- Level 2 quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability.
- Level 3 unobservable and significant to the fair value measurement of the asset or liability.

At June 30, 2011 and 2010, the Food Bank's investment portfolio consisted of marketable equity and debt securities carried at fair value.

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, 2011 and 2010, based on level 1 inputs utilized to measure fair value:

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Mutual funds	\$ 912,290	1,035,108	969,594	997,494
Fixed income investments	78,201	80,024	497,000	496,962
	\$ 990,491	1,115,132	1,466,594	1,494,456

Investment income as reported in the accompanying statements of activities include net realized and unrealized gains of approximately \$155,000 in 2011 and net realized and unrealized gains of approximately \$92,000 in 2010 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, 2011 and 2010, contributors to the Organization have unconditionally promised to give the following amounts:

	<u>2011</u>	<u>2010</u>
Receivable in less than one year	\$ 864,810	1,445,927
Receivable in one to four years	95,467	112,201
Total	960,277	1,558,128
Less: allowance for uncollectible accounts	(136,211)	(166,453)
Discounts to net present value	(34,743)	(34,743)
Net contributions receivable	<u>\$ 789,323</u>	<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, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Donated food	\$ 776,344	1,869,543
USDA food	2,025,889	1,180,186
Purchased food	126,170	130,781
	<u>\$ 2,928,403</u>	<u>3,180,510</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, 2011 and 2010 and their estimated useful lives:

	<u>Estimated Useful Lives</u>	<u>2011</u>	<u>2010</u>
Land	-	\$ 162,798	162,798
Building and improvements	30 years	1,599,832	1,565,891
Office furniture and equipment	5 - 7 years	273,093	208,112
Warehouse equipment	5 - 7 years	394,643	394,643
Trucks	5 years	1,100,683	838,793
Construction in progress	-	2,050,111	-
		<u>5,581,160</u>	<u>3,170,237</u>
Less accumulated depreciation		<u>(1,872,597)</u>	<u>(1,592,446)</u>
		<u>\$ 3,708,563</u>	<u>1,577,791</u>

**(6) Designated Fund Balances**

At June 30, 2011 and 2010, the Board of Directors had designated funds for the following purposes:

	<u>2011</u>	<u>2010</u>
Capital replacements	\$ 192,311	250,762
Program services	1,678,969	1,537,843
Disaster relief	10,268	10,268
Assets held by Community Foundation of Central Florida, Inc.	<u>199,205</u>	<u>165,875</u>
	<u>\$ 2,080,753</u>	<u>1,964,748</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. The program service reserves at June 30, 2011 and 2010 represent approximately three months of operations. Assets held by Community Foundation of Central Florida, Inc. are discussed in Note 9.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

**Notes to Financial Statements**

**(7) Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, 2011 and 2010 are restricted for the following purposes:

	2011	2010
Attorney General – vitamin settlement for food acquisition and equipment purchases	\$ 237,150	-
Project Hunger	15,000	-
Hi-Five Kids Packs	30,000	
Pledges for periods after July 1	388,726	696,042
Emergency Food and Shelter Program	-	168,939
Other	20,000	16,689
	\$ 690,876	881,670

**(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 2011 and 2010 were \$49,978 and \$50,546, 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 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 and included in unrestricted net assets on its balance sheet as required by current financial accounting standards.

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

(Continued)

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Notes to Financial Statements

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

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 month-to-month and long-term non-cancelable operating leases. Rental expense for all month-to-month and long-term operating leases was \$306,367 and \$373,738 for the years ended June 30, 2011 and 2010, respectively. Future minimum payments applicable to long-term non-cancelable operating leases for the four years subsequent to June 30, 2011 are approximately as follows:

<u>Year ended June 30,</u>	
2012	\$ 272,000
2013	172,000
2014	85,000
2015	12,000

(11) **Change in Method of Valuing Certain Inventory**

During the year ended June 30, 2011, the Organization changed its method of valuing certain inventory (USDA provided food inventory) using values as prepared and provided by Feeding America as described further in note 1(h). This new method of valuing the inventory is considered a change in accounting principle and has been reported in the accompanying financial statements through retrospective application of the new principle to all prior periods. Accordingly, the effect of this change resulted in an increase in unrestricted net assets of \$358,367 as of June 30, 2009 and an increase in unrestricted net assets of \$431,667 during the year ended June 30, 2010. These changes combined to provide a corresponding increase in inventory at June 30, 2010 of \$790,034 over the balance of inventory as previously reported at that date.

## **SUPPLEMENTARY INFORMATION**



SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

Schedule of Expenditures of Federal, State and Local Awards

Year ended June 30, 2011

Grantor/Pass-Through Agency/Program Title	Period of Award	Contract Number	Federal CFDA No.	Amount of Award	Federal Expenditures
United States Department of Agriculture					
Passed through from the Florida Department of Agriculture and Consumer Services					
The Emergency Food Assistance Program (TEFAP) - Food Commodities	7/1/10 to 6/30/11	-	10.569	15,481,705	\$ 15,481,705 *
The Emergency Food Assistance Program (TEFAP) - Food Commodities - ARRA	7/1/10 to 6/30/11	-	10.569	140,232	140,232 *
					<u>15,621,937 *</u>
Passed through from the Florida Department of Health					
The Child and Adult Care Food Program	10/1/09 to 9/30/10	A-1548	10.558	16,137	16,137
The Child and Adult Care Food Program	10/1/10 to 9/30/11	A-1548	10.558	97,785	97,785
					<u>113,922</u>
Passed through from the 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	130,341
The Emergency Food Assistance Program (TEFAP) - Administrative Costs - ARRA	10/1/09 to 9/30/10	15516	10.568	520,838	334,428
The Emergency Food Assistance Program (TEFAP) - Administrative Costs	10/1/10 to 9/30/11	12843	10.568	679,579	497,253
					<u>962,022</u>
Passed through from the Florida Department of Education					
The Summer Food Service Program for Children	6/14/10 to 8/6/10	04-0276	10.559	54,954	54,954
The Summer Food Service Program for Children	6/9/11 to 8/19/11	04-0276	10.559	45,576	45,576
					<u>100,530</u>
Passed through from the Florida Department of Children and Families					
Supplemental Nutrition Assistance Program	10/1/09 to 9/30/10	LF-903	10.561	192,750	53,684
Supplemental Nutrition Assistance Program	10/1/10 to 9/30/11	LF-903	10.561	219,423	159,071
					<u>212,755</u>
					<u>\$ 17,011,166</u>
United States Department of Homeland Security, Federal Emergency Management Agency					
Passed through from the Seminole County Emergency Food and Shelter Program Local Board - Heart of Florida United Way					
The Emergency Food and Shelter National Board Program - Phase 28	1/1/10 to 12/31/10	171800-010	97.024	30,000	\$ 15,000
The Emergency Food and Shelter National Board Program - Phase 29	1/1/11 to 12/31/11	171800-010	97.024	22,667	11,334
					<u>26,334</u>
Passed through from the Brevard County Emergency Food and Shelter Program Local Board - The United Way of Brevard County					
The Emergency Food and Shelter National Board Program - Phase 28	12/1/09 to 11/30/10	156600-034	97.024	25,000	12,500
The Emergency Food and Shelter National Board Program - Phase 29	12/1/10 to 11/30/11	156600-034	97.024	18,938	9,469
					<u>21,969</u>

\* In-kind value of donated food distributed

(Continued)

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

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

Year ended June 30, 2011

Grantor/Pass-Through Agency/Program Title	Period of Award	Contract Number	Federal CFDA No.	Amount of Award	Federal/State/Local Expenditures
Passed through from the Orange County Emergency Food and Shelter Program Board - Heart of Florida United Way					
The Emergency Food and Shelter National Board Program - Phase 28	9/1/09 to 8/31/10	168000-022	97.024	54,000	27,000
The Emergency Food and Shelter National Board Program - Phase 29	9/1/10 to 8/31/11	168000-022	97.024	44,586	22,293
					<u>49,293</u>
Passed through from the Volusia County Emergency Food and Shelter Program Board - The United Way of Volusia-Flagler Counties, Inc.					
The Emergency Food and Shelter National Board Program - Phase 28	1/1/10 to 12/31/10	172800-027	97.024	11,000	5,500
Subtotal - U. S. Department of Homeland Security, Federal Emergency Management Agency					<u>\$ 103,096</u>
Total Federal Assistance					<u>\$ 17,114,262</u>
Florida Department of Children and Families					
Access Florida Community Network - Food Assistance Program	7/1/10 to 6/30/11	-	-	22,440	22,265
Total State Awards					<u>\$ 22,265</u>
Orange County, Florida					
Health and Family Services Department	10/1/09 to 9/30/10	Y10-2025	-	46,037	19,546
Health and Family Services Department	10/1/010 to 9/30/11	Y11-2021	-	42,814	28,543
Subtotal - Orange County					<u>\$ 48,089</u>
Volusia County, Florida					
Community Assistance	10/1/09 to 9/30/10	CS-9048	-	6,600	1,650
Community Assistance	10/1/10 to 9/30/11	CS-9048	-	6,600	4,950
Subtotal - Volusia County					<u>\$ 6,600</u>
Total Local Awards					<u>\$ 54,689</u>

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.

**Notes to the Schedule of Expenditures of Federal, State and Local Awards**

Year ended June 30, 2011

**(1) Basis of Presentation**

The accompanying Schedule of Expenditures of Federal, State and Local Awards presents the activity of all federal, state and local financial assistance and federal, state and local cost reimbursement contracts of Second Harvest Food Bank of Central Florida, Inc. Second Harvest Food Bank of Central Florida, Inc. receives federal and state awards indirectly through pass-through entities. State and local awards are received directly from entities.

Federal program and state and local project expenditures included in the accompanying schedule are 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*.

**(2) Major Programs**

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

**(3) 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, 2011, Second Harvest Food Bank of Central Florida, Inc. distributed 9,439,100 pounds of food valued at \$1.60 and \$1.66 per pound.

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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 years ended June 30, 2011 and 2010, and have issued our reports thereon dated September 19, 2011. 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 audits, 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 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 organization'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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying

Schedule of Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting. 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.

### **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 audits, 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 Second Harvest Food Bank of Central Florida, Inc. in a separate letter date September 19, 2011.

The Food Bank's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Food Bank's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, Board of Directors, management, others within the organization, federal, state and local 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, Tschopp, Whitcomb, Mitchell & Shuilen, LLP*

Altamonte Springs, Florida  
September 19, 2011

# SCHAFFER, TSCHOPP, WHITCOMB, MITCHELL & SHERIDAN, LLP

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## **Independent Auditors' 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**

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. (the "Food Bank"), 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 years ended June 30, 2011 and 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 audits 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 audits 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 programs for the years ended June 30, 2011 and 2010.

## Internal Control Over Compliance

Management of the Food Bank 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 audits, we considered the Food Bank'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 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 the Food Bank's internal control over compliance.

A deficiency in an 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 the 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 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 a material weakness, 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.

*Scharfen, Tschagg, Whittemt, Mitchell & Shuikan, LLP*

Altamonte Springs, Florida  
September 19, 2011

**Second Harvest Food Bank of Central Florida, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2011**

**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 material weaknesses were disclosed during the audit of the financial statements and as 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*. However, there were certain deficiencies disclosed that are considered to be significant deficiencies in internal control over financial reporting.
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 that Could Have a Direct and Material Effect on 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 programs for Second Harvest Food Bank of Central Florida, Inc. expresses an unqualified opinion on all major federal programs.
6. There are no audit findings relative to the major federal award programs 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 program tested as a major program was the program cluster U.S. Department of Agriculture's CFDA Number 10.569 - Emergency Food Assistance Program (Food Commodities) and CFDA Number 10.568 – Emergency Food Assistance Program (Administrative Costs).
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.



**Second Harvest Food Bank of Central Florida, Inc.**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year ended June 30, 2011**

**B. Financial Statement Findings Section**

**Significant Deficiency 2011-1**

Condition: Certain general ledger accounts were not reconciled to the corresponding detail listings on a timely basis and/or the reconciliations indicated significant differences from the associated general ledger control account.

Criteria: Internal controls should be in place to provide assurance that reconciliations for all significant balance sheet accounts are completed periodically (preferably monthly) and differences followed up and resolved on a timely basis.

Cause: There are no formalized procedures in place to require periodic and timely reconciliation of balance sheet accounts.

Effect: As a result of the condition described herein, there were several significant audit adjusting entries which were required to properly state the balance of these accounts at year end.

Recommendation: Formal policies and procedures should be implemented requiring the completion of periodic reconciliations for all significant balance sheet accounts and follow up and correction of differences. The policy should provide the opportunity to document a review of the completed reconciliations by a separate appropriate member of the financial/accounting group.

Views of Responsible Officials and Planned Corrective Actions: The Organization agrees with the finding and the recommended procedures have been implemented.

**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.