

Consolidated Financial Statements

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

June 30, 2013

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

Consolidated Financial Statements

June 30, 2013

(With Independent Auditor's Report Thereon)

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
AND SUBSIDIARY

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Second Harvest Food Bank of Central Florida, Inc. and Subsidiary which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities, changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of

accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Second Harvest Food Bank of Central Florida, Inc. and Subsidiary as of June 30, 2013, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was performed for the purpose of forming an opinion on the consolidated financial statements of Second Harvest Food Bank of Central Florida, Inc. and Subsidiary taken as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 4, 2013 on our consideration of the Second Harvest Food Bank of Central Florida, Inc. and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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* in considering Second Harvest Food Bank of Central Florida, Inc. and Subsidiary's internal control over financial reporting and compliance.

Schacter, Tschagg, Whiternut, Mitchell & Shuiler, LLP

Altamonte Springs, Florida
October 4, 2013

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
AND SUBSIDIARY

Consolidated Statement of Financial Position

June 30, 2013

Assets

Cash and equivalents	\$ 978,749
Restricted cash (note 1)	2,787,180
Investments (note 2)	1,442,063
Accounts receivable	1,054,637
Note receivable (note 5)	3,912,980
Inventories (note 4)	5,091,977
Contributions receivable (note 3)	571,692
Prepaid expenses and other assets (note 7)	565,562
Assets held by Community Foundation of Central Florida, Inc. (note 11)	210,875
Property and equipment, net (notes 6 and 7)	16,313,000
Assets held for sale (note 6)	1,059,680
Contingent derivative interest rate swap (note 7)	145,405
Total assets	\$ 34,133,800

Liabilities and Net Assets

Liabilities	
Accounts payable and accrued expenses	\$ 1,484,657
New market tax credits notes payable (note 7)	14,585,000
Total liabilities	16,069,657

Commitments and contingencies (notes 7 and 12)

Net assets

Unrestricted:	
Designated by the board (note 8)	2,560,793
Undesignated, available for general activities	7,568,885
Donated inventories	4,860,095
Property and equipment	2,149,917
Total unrestricted net assets	17,139,690
Temporarily restricted (note 9)	779,048
Accumulated other comprehensive income (note 7)	145,405
Total net assets	18,064,143
Total liabilities and net assets	\$ 34,133,800

See accompanying notes to financial statements.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
AND SUBSIDIARY

Consolidated Statement of Activities

Year ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
Revenues, gain or losses, and other support:			
Contributions and grants	\$ 4,724,635	975,644	5,700,279
Value of contributed inventory, equipment, facilities and services	65,566,065	-	65,566,065
Fees from providing services paid by agencies	1,710,490	-	1,710,490
Purchased food sales	2,662,344	-	2,662,344
Other revenue	72,660	-	72,660
Investment and interest income	157,430	-	157,430
Net assets released from restrictions:			
Satisfaction of program and time restrictions	3,067,672	(3,067,672)	-
Total revenues, gain or losses, and other support	77,961,296	(2,092,028)	75,869,268
Expenses			
Program services (includes value of food distributed and spoilage of \$61,642,496)	69,793,530	-	69,793,530
Supporting activities:			
Management and general	1,133,167	-	1,133,167
Fund-raising and development	1,082,519	-	1,082,519
Total supporting activities	2,215,686	-	2,215,686
Total expenses	72,009,216	-	72,009,216
Change in net assets	\$ 5,952,080	(2,092,028)	3,860,052

See accompanying notes to financial statements

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
AND SUBSIDIARY

Consolidated Statement of Changes in Net Assets

Year ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total</u>
Net assets at June 30, 2012	\$ 11,187,610	2,871,076	-	14,058,686
Change in net assets	5,952,080	(2,092,028)	-	3,860,052
Increase in fair value of contingent derivative interest rate swap	-	-	145,405	145,405
Net assets at June 30, 2013	<u>\$ 17,139,690</u>	<u>779,048</u>	<u>145,405</u>	<u>18,064,143</u>

See accompanying notes to financial statements

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
AND SUBSIDIARY

Consolidated Statement of Functional Expenses

Year ended June 30, 2013

	<u>Programs</u>	<u>Management and General</u>	<u>Fund-raising and Development</u>	<u>Total</u>
Salaries and wages	\$ 2,442,254	545,756	276,931	3,264,941
Employee benefits and payroll taxes	627,317	116,973	63,086	807,376
Total salaries and benefits	<u>3,069,571</u>	<u>662,729</u>	<u>340,017</u>	<u>4,072,317</u>
Value of gifts in-kind	61,642,496	-	-	61,642,496
Contract labor	13,546	53,358	9,458	76,362
Building maintenance	53,660	514	-	54,174
Direct mail and special events	-	-	567,359	567,359
Purchased food distributed and direct program supplies	2,942,319	-	-	2,942,319
Insurance	77,610	5,315	1,564	84,489
Licenses and fees	1,636	-	-	1,636
Maintenance and rental of equipment	248,945	-	-	248,945
Meetings, conferences and transportation	71,597	26,013	40,426	138,036
Miscellaneous	60,181	60,274	686	121,141
Dues and subscriptions	10,712	5,610	31,018	47,340
Occupancy	306,540	-	-	306,540
Office expenses and supplies	37,467	18,386	8,597	64,450
Postage and shipping	1,998	7,763	10,953	20,714
Printing and publications	6,725	110	20,258	27,093
Professional and contractual fees	40,128	93,001	40,616	173,745
Telephone	72,982	6,856	4,749	84,587
Trucking, freight, and fuel costs	439,915	-	-	439,915
Utility costs	173,203	10,337	6,818	190,358
Amortization	-	49,490	-	49,490
Interest expense	-	133,411	-	133,411
Total expenses before depreciation	<u>69,271,231</u>	<u>1,133,167</u>	<u>1,082,519</u>	<u>71,486,917</u>
Depreciation of property and equipment	522,299	-	-	522,299
Total expenses	<u>\$ 69,793,530</u>	<u>1,133,167</u>	<u>1,082,519</u>	<u>72,009,216</u>

See accompanying notes to financial statements

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
AND SUBSIDIARY

Consolidated Statement of Cash Flows

Year ended June 30, 2013

Cash flows from operating activities:	
Increase in net assets	\$ 3,860,052
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	522,299
In-kind contributions of food	(65,566,065)
In-kind contributions of property and equipment	(957,826)
Distribution and spoilage of in-kind contributions of food	61,601,496
Net unrealized (gains) on investments	(71,824)
Net increase (decrease) in cash flow from changes in:	
Restricted cash	(660,345)
Accounts receivable	(475,101)
Purchased inventories	1,007,912
Prepaid expenses and other assets	(487,562)
Contributions receivable	1,783,124
Assets held by the Community Foundation of Central Florida, Inc.	(15,552)
Accounts payable and accrued expenses	888,015
Net cash provided by operating activities	<u>1,428,623</u>
Cash flows from investing activities:	
Purchase of investments	(100,482)
Purchase of property and equipment	<u>(12,543,656)</u>
Net cash used in investing activities	<u>(12,644,138)</u>
Cash flows from financing activities:	
Proceeds from issuance of notes payable	14,585,000
Increase in note receivable	<u>(3,912,980)</u>
Net cash provided by financing activities	<u>10,672,020</u>
Net decrease in cash and cash equivalents	(543,495)
Cash and cash equivalents at beginning of year	<u>1,522,244</u>
Cash and cash equivalents at end of year	<u>\$ 978,749</u>
Supplemental information:	
Cash paid for interest	<u>\$ 133,411</u>
Non-cash investing activities:	
Fair market value increase of contingent derivative interest rate swap	<u>\$ 145,405</u>

See accompanying notes to financial statements.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
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Notes to Consolidated Financial Statements

June 30, 2013

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

(a) **Organization**

Second Harvest Food Bank of Central Florida, Inc. (SHFB or Second Harvest Food Bank), 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 SHFB with usable food that is not saleable because the food has been overproduced, discontinued, or will soon be out-of-date.

Second Harvest 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.

Time For Mercy, LLC (TFM) was organized in 2012 as a Florida limited liability company. SHFB has a 100% membership interest in TFM. TFM was organized to acquire, construct and develop a food distribution center in Orlando, Florida that will function as the principal warehouse, distribution and administrative facilities of Second Harvest Food Bank.

In order to finance the construction and development of the project, TFM entered into loan agreements with Wells Fargo Community Development Enterprise Round 9 Subsidiary 3, LLC (Wells Fargo), CCG Sub-CDE 21, LLC (CCG) and UA Sub-CDE XIV, LLC (UA) as more fully described in note 7.

(b) **Basis of Consolidation**

The consolidated financial statements include the assets, liabilities and net assets and activities of SHFB and TFM (collectively referred to as the Food Bank or Organization). All balances and transactions between the consolidated entities have been eliminated.

(c) **Basis of Presentation**

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

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Notes to Consolidated Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies (Continued)

(c) Basis of Presentation (Continued)

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 year ended June 30, 2013.

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 9).

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.

The Food Bank's resources as presented on the statements of activities and changes in net assets include revenue, gains or loss, and other support. Revenue consists of fees earned for the performance of Organization services, public support such as contributions and grants, investment income which consists of dividends, interest, rents and similar payments on

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Notes to Consolidated Financial Statements

June 30, 2013

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

(c) **Basis of Presentation (Continued)**

assets held as investments, and other revenue or support. Rents are presented separately from investment income on the statements of activities and changes in net assets. Public support such as contributions and grants are unconditional gifts to the Organization of cash or other assets in a voluntary nonreciprocal transfer by another entity. Gains or losses result from activities that are peripheral or incidental to the Organization and are reported net.

Revenue, gains, and other support are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses and losses 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.

Contributions of assets, materials, and facilities are recorded at their estimated fair value at the date of gift. Such values are recorded in the consolidated financial statements as an asset or expense and revenue. For the year ended June 30, 2013, in-kind contributions consisted of donated equipment valued at approximately \$958,000, and USDA food

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Notes to Consolidated Financial Statements

June 30, 2013

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

(c) **Basis of Presentation (Continued)**

inventory and donated food inventory valued at approximately \$64,000,000. Contributed food inventory was redistributed to charitable organizations at a value of approximately \$62,000,000 for the year ended June 30, 2013. 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 year ended June 30, 2013, there were no contributed services. Donated use of facilities is recognized as expense and revenue. For the year ended June 30, 2013 there were donated marketing services amounting to \$41,000.

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 has not been recorded in the accompanying consolidated financial statements since specialized skills were not required.

(d) **Liquidity**

Assets are presented in the accompanying consolidated 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.

(e) **Accounts Receivable**

Accounts receivable are carried at their estimated collectible amounts and are recorded net of contractual adjustments and an allowance for doubtful accounts. The allowance for doubtful accounts is estimated by management based on the Organization's prior years' experience and a review of the current status of the existing receivables. Adjustments to the allowance for doubtful accounts are recorded to an expense account. When management determines that a receivable is uncollectible, it is removed from accounts receivable and is charged to the allowance for doubtful accounts. No allowance is established at June 30, 2013 as management believes all amounts are collectible.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
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Notes to Consolidated Financial Statements

June 30, 2013

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

(f) **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.

(g) **Cash and Cash Equivalents**

For the purposes of the consolidated statement 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.

(h) **Restricted Cash**

Cash which is externally restricted by agreements is classified as restricted cash. Such cash is excluded from the consolidated statement of cash flows, as it is not available for general operating purposes. Restricted cash consists of the following at June 30, 2013:

Restricted for:	
Debt repayment	\$ 1,280,575
Property and equipment	<u>1,506,605</u>
	<u>\$ 2,787,180</u>

(i) **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, 2012. This value was \$1.69 per pound in 2013.

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Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies (Continued)

(j) 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.

(k) 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 consolidated financial statements.

In accordance with "Income Taxes" FASB Accounting Standards Codification Topic 740 (Topic 740), all entities are required to evaluate and disclose income tax risks. Topic 740 clarifies the accounting for uncertainty in tax positions and prescribes 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 consolidated 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, 2013, the Food Bank had no uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements.

The Food Bank's income tax returns are subject to review and examination by federal authorities. The Food Bank is not aware of any activities that would jeopardize its tax-exempt status. The Food Bank is not aware of any activities that are subject to tax on unrelated business income, excise or other taxes. The tax returns for the fiscal years ended from 2010 to 2012 are open to examination by federal authorities.

(l) Functional Allocation of Expenses

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

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Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies (Continued)

(m) 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.

(n) 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 markets for identical assets or liabilities (see note 2).

(o) 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.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
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Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies (Continued)

(o) Long-Lived Assets (Continued)

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 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.

(p) Subsequent Events

In preparing these consolidated financial statements, the Food Bank has evaluated subsequent events and transactions for potential recognition and disclosure through October 4, 2013, which is the date the consolidated 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 consolidated financial position or results of operations.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
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Notes to Consolidated Financial Statements

(2) Investments (Continued)

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 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, 2013, 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, 2013, based on level 1 inputs utilized to measure fair value:

	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	\$ 997,312	1,104,923
Certificate of deposit	183,598	183,598
Fixed income investments	157,147	153,542
	<u>\$ 1,338,057</u>	<u>1,442,063</u>

Investment and interest income as reported in the accompanying statement of activities includes net unrealized gains of approximately \$72,000 in 2013 associated with the investments reflected herein.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
AND SUBSIDIARY

Notes to Consolidated Financial Statements

(3) Contributions Receivable

As of June 30, 2013, contributors to the Organization have unconditionally promised to give the following amounts:

Receivable in less than one year	\$ 613,662
Less: allowance for uncollectible accounts	<u>(41,970)</u>
Net contributions receivable	<u>\$ 571,692</u>

(4) Inventories

Inventories at June 30, 2013 consisted of the following:

Donated food	\$ 1,266,682
USDA food	3,593,413
Purchased food	<u>231,882</u>
	<u>\$ 5,091,977</u>

(5) Note Receivable

SHFB entered into an agreement to lend \$3,912,980 to Second Harvest Investment Fund, LLC (SHIF). The note is secured by SHIF's membership interest in CCG, UA and Wells Fargo and is subordinated to certain other obligations (held by SHIF) due to Wells Fargo Bank, N.A. Interest only is payable monthly at 1.0% through August 2019. Thereafter, commencing in September 2019, SHIF shall make monthly payments of principal and interest (at 1%) for the remaining term of the loan which matures on September 7, 2042. At that date all remaining outstanding principal and any accrued but unpaid interest is due and payable.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
AND SUBSIDIARY

Notes to Consolidated Financial Statements

(6) Property and Equipment

The following is a summary of the components of property and equipment at June 30, 2013 and their estimated useful lives:

	Estimated Useful Lives	
Land	-	\$ 1,918,885
Building and improvements	30 years	12,682,279
Office furniture and equipment	5 - 7 years	1,157,530
Warehouse equipment	5 - 7 years	570,128
Trucks	5 years	1,446,107
		17,774,929
Less accumulated depreciation		(1,461,929)
		\$ 16,313,000

In connection with the development and completion of SHFB's new warehouse, distribution and administrative facility, the assets associated with its former operating headquarters are held for sale at June 30, 2013. These assets consist of land, certain equipment, buildings and improvements amounting to \$1,059,680 which has been included as assets held for sale in the accompanying statement of financial condition.

(7) New Market Tax Credits Notes Payable

TFM executed loan agreements in September 2012 that provided for borrowings of \$3,675,000, \$2,910,000 and \$8,000,000 from CCG, UA and Wells Fargo, respectively. The loans are to finance the acquisition, construction and development of SHFB's new warehouse, food distribution and administrative facilities in Orlando, Florida and are intended to be treated as a "qualified low-income community investment" for purposes of generating New Market Tax Credits under Section 450 of the Internal Revenue Code of 1986, as amended. The loans are secured by a certain construction and permanent mortgage with absolute assignment of leases and rents, security agreement and fixture filing on the underlying property. TFM is not permitted to prepay any portion of the loans until after the corresponding maturity dates. The balances and terms of the outstanding notes payable at June 30, 2013 are as follows:

Promissory note payable to CCG. Interest only is payable monthly at the 30 day LIBOR Plus 2.35% through August 15, 2019. The principal balance of this note, together with all accrued and unpaid interest shall be due and payable in full on September 7, 2019.	\$ 1,672,276
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SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
AND SUBSIDIARY

Notes to Consolidated Financial Statements

(7) New Market Tax Credits Notes Payable (Continued)

Promissory notes payable to CCG. Interest only is payable monthly at 1.75% through September 7, 2019. Beginning September 15, 2019 the notes shall be payable in monthly installments of principal and interest, (at a LIBOR-based variable rate calculated at that date) through the maturity date of September 7, 2042 when all remaining outstanding principal and accrued but unpaid interest is due. 2,002,724

Promissory note payable to UA. Interest only is payable monthly at the 30 day LIBOR plus 2.35% through August 15, 2019. The principal balance of the note, together with all accrued and unpaid interest shall be due and payable in full on September 7, 2019. 1,337,821

Promissory notes payable to UA. Interest only is payable monthly at 1.75% through September 7, 2019. Beginning September 15, 2019, the notes shall be payable in equal monthly installments of principal and interest, (at a LIBOR-based variable rate calculated at that date), through the maturity date of September 7, 2042 when all remaining outstanding principal and accrued but unpaid interest is due. 1,572,179

Promissory note payable to Wells Fargo. Interest only is payable monthly at the 30 day LIBOR plus 2.35% through August 15, 2019. The principal balance of the note, together with all accrued and unpaid interest shall be due and payable in full on September 7, 2019. 3,567,523

Promissory notes payable to Wells Fargo. Interest only is payable at 1.75% through September 7, 2019. Beginning September 15, 2019 the notes shall be payable in equal monthly installments of principal and interest, (at a LIBOR-based variable rate calculated at that date) through the maturity date of September 7, 2042 when all remaining outstanding principal and accrued but unpaid interest is due. 4,432,477

\$ 14,585,000

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
AND SUBSIDIARY

Notes to Consolidated Financial Statements

(7) New Market Tax Credits Notes Payable (Continued)

In connection with loan agreements discussed herein, TFM incurred closing costs amounting to \$461,904. The closing costs will be amortized over the corresponding terms of the loans through September, 2019. Amortization of these costs amounted to \$49,489 for the year ended June 30, 2013. Accordingly, net closing costs of \$412,415 are included in prepaid expenses and other assets in the accompanying statement of financial position at June 30, 2013.

Effective September 7, 2012, TFM entered into a variable to fixed interest rate swap agreement (Swap) with Wells Fargo in the notional amount of \$6,577,620. In accordance with terms of the Swap, TFM pays a fixed rate of 1.47%. The variable rate associated with the Swap is the 30 day LIBOR. The Swap expires on September 7, 2019. Its estimated fair value, which is based on a quoted market price, amounted to an asset of \$145,405 as of June 30, 2013.

(8) Designated Fund Balances

At June 30, 2013, the Board of Directors had designated funds for the following purposes:

Capital replacements	\$ 455,788
Program services	1,883,862
Disaster relief	10,268
Assets held by Community Foundation of Central Florida, Inc.	<u>210,875</u>
	<u>\$ 2,560,793</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, 2013 represent approximately three months of operations. Assets held by Community Foundation of Central Florida, Inc. are discussed in Note 11.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
AND SUBSIDIARY

Notes to Consolidated Financial Statements

(9) Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2013 are restricted for the following purposes:

Citizens Review Panel	\$ 13,750
Mobile food pantry	372,295
TEFAP - food	146,503
Hi-Five Kids Packs	32,782
United Way – for future periods	124,256
Other	<u>89,462</u>
	<u>\$ 779,048</u>

(10) 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 2013 were approximately \$64,000.

(11) 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 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.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
AND SUBSIDIARY

Notes to Consolidated Financial Statements

(12) 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 approximately \$161,000 for the year ended June 30, 2013. Future minimum payments applicable to long-term non-cancelable operating leases for the four years subsequent to June 30, 2013 are approximately as follows:

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

SUPPLEMENTARY INFORMATION

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
AND SUBSIDIARY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

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	7/1/12 - 6/30/13	016962	10.569	11,316,892	\$ 11,316,892 *
					<u>11,316,892 *</u>
Passed through from the Florida Department of Health					
The Child and Adult Care Food Program	10/1/11 - 9/30/12	A-1548	10.558	143,960	24,385
The Child and Adult Care Food Program	10/1/12 - 9/30/13	A-1548	10.558	138,593	138,593
					<u>162,978</u>
Passed through from the Florida Department of Agriculture and Consumer Services					
The Emergency Food Assistance Program (TEFAP) - Administrative Costs	10/1/11 - 9/30/12	016962	10.568	638,265	87,895
The Emergency Food Assistance Program (TEFAP) - Administrative Costs	10/1/12 - 9/30/13	016962	10.568	553,146	406,643
					<u>494,538</u>
Passed through from the Florida Department of Education					
The Summer Food Service Program for Children	6/1/12 - 8/31/12	018536	10.559	128,409	89,713
The Summer Food Service Program for Children	6/1/13 - 8/31/13	018536	10.559	48,088	48,088
					<u>137,801</u>
Passed through from the Florida Department of Children and Families					
Supplemental Nutrition Assistance Program	10/1/11 - 9/30/12	LF-903	10.561	225,295	54,225
Supplemental Nutrition Assistance Program	10/1/12 - 11/30/12	LF-903	10.561	56,449	37,581
Supplemental Nutrition Assistance Program	12/1/12 - 6/30/13	LF-912	10.561	511,348	107,148
					<u>198,954</u>
Subtotal - United States Department of Agriculture					<u>\$ 12,311,163</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 30	7/1/12 - 6/30/13	171800-010	97.024	20,180	\$ 20,180
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 30	7/1/12 - 6/30/13	156600-034	97.024	17,988	17,988

* In-kind value of donated food distributed

(Continued)

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
AND SUBSIDIARY

Schedule of Expenditures of Federal Awards (Continued)

Year ended June 30, 2013

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 30	7/1/12 - 6/30/13	168000-022	97.024	40,030	40,030
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 30	7/1/12 - 6/30/13	172800-027	97.024	7,371	7,371
Subtotal - U. S. Department of Homeland Security, Federal Emergency Management Agency Corporation for National and Community Service (CNCS): Passed Through Public Allies, Inc. Community Based Care of Central Florida (Public Allies of Central Florida) AmeriCorp State and National - ARRA (Recovery Act)	9/1/12 - 6/30/13	94.006	2012-2013	4,148	\$ 4,148
Subtotal Corporation for National and Community Service (CNCS)					\$ 4,148
Total Federal Assistance					\$ 12,400,880

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
AND SUBSIDIARY

Notes to the Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance and federal cost reimbursement contracts of Second Harvest Food Bank of Central Florida, Inc. and Subsidiary. Second Harvest Food Bank of Central Florida, Inc. and Subsidiary receives federal awards indirectly through pass-through entities.

Federal program 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 Awards is in-kind food items received through The Emergency Food Assistance Program. For the year ended June 30, 2013, Second Harvest Food Bank of Central Florida, Inc. distributed approximately 6,700,000 pounds of food valued at \$1.69 per pound.

(4) Sub-recipients

Second Harvest Food Bank of Central Florida, Inc. and Subsidiary passes through certain Federal assistance to other governments or not-for-profit agencies (sub-recipients). As described in note 1, Second Harvest Food Bank of Central Florida, Inc. and Subsidiary records expenditures of Federal awards to sub-recipients on an accrual basis of accounting.

The sub-recipient agencies have certain compliance responsibilities related to administering these Federal programs. Under OMB Circular A-133, Second Harvest Food Bank of Central Florida, Inc. and Subsidiary is responsible for monitoring sub-recipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements, and that performance goals are achieved.

SECOND HARVEST FOOD BANK OF CENTRAL FLORIDA, INC.
AND SUBSIDIARY

Notes to the Schedule of Expenditures of Federal Awards (Continued)

Year ended June 30, 2013

(4) **Sub-recipients (Continued)**

Second Harvest Food Bank of Central Florida, Inc. and Subsidiary, provided federal awards to sub-recipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amounts Provided To Sub-recipients</u>
The Emergency Food Assistance Program (TEFN) – Food Commodities	10.569	11,316,892

(5) **Matching Requirements**

Certain Federal programs require that Second Harvest Food Bank of Central Florida, Inc. and Subsidiary contribute non-Federal funds (matching funds) to support the Federally funded programs. Second Harvest Food Bank of Central Florida, Inc. and Subsidiary has complied with matching requirements. The expenditure of non-Federal matching funds is not included in the Schedule of Expenditures of Federal Awards.

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**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

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

We have audited, 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, the consolidated financial statements of Second Harvest Food Bank of Central Florida, Inc. and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 4, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Second Harvest Food Bank of Central Florida, Inc. and Subsidiary's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Second Harvest Food Bank of Central Florida, Inc. and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of Second Harvest Food Bank of Central Florida, Inc. and Subsidiary's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's consolidated financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Second Harvest Food Bank of Central Florida, Inc. and Subsidiary's consolidated 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 consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly this communication is not suitable for any other purpose.

Schaefer, Tschoff, Whitcomb, Mitchell & Shuikan, LLP

Altamonte Springs, Florida
October 4, 2013

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**Independent Auditor's Report on Compliance for Each Major
Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Second Harvest Food Bank of Central Florida, Inc. and Subsidiary's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Second Harvest Food Bank of Central Florida, Inc. and Subsidiary's major federal programs for the year ended June 30, 2013. Second Harvest Food Bank of Central Florida, Inc. and Subsidiary's major federal program is identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Second Harvest Food Bank of Central Florida, Inc. and Subsidiary's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 test basis, evidence about Second Harvest Food Bank of Central Florida, Inc. and Subsidiary's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Second Harvest Food Bank of Central Florida, Inc. and Subsidiary's compliance.

Opinion on Each Major Federal Program

In our opinion, Second Harvest Food Bank of Central Florida, Inc. and Subsidiary complied, in all material respects, with the types of requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Second Harvest Food Bank of Central Florida, Inc. and Subsidiary is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Second Harvest Food Bank of Central Florida, Inc. and Subsidiary's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Second Harvest Food Bank of Central Florida, Inc. and Subsidiary'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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Scharfer, Tschagg, Whittemt, Mitchell & Shuilen, LLP

Altamonte Springs, Florida
October 4, 2013

Second Harvest Food Bank of Central Florida, Inc. and Subsidiary
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

A. Summary of the Audit Results

1. The Auditors' report expresses an unqualified opinion on the consolidated financial statements of Second Harvest Food Bank of Central Florida, Inc. and Subsidiary.
2. No significant deficiencies or material weaknesses were disclosed during the audit of the consolidated 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*.
3. No instances of noncompliance material to the consolidated financial statements of Second Harvest Food Bank of Central Florida, Inc. and Subsidiary 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 for Each Federal Major Program and on Internal Control Over Compliance Required by 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. and Subsidiary 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. and Subsidiary 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. and Subsidiary was determined to be a low-risk auditee.

Second Harvest Food Bank of Central Florida, Inc. and Subsidiary
Schedule of Findings and Questioned Costs (Continued)
Year ended June 30, 2013

B. Financial Statement Findings Section

None

C. Federal Award Finding and Questioned Costs Section

None

D. Summary Schedule of Prior Audit Findings

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