

***AMERICA'S SECOND HARVEST  
OF COASTAL GEORGIA, INC.  
AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006***

AMERICA'S SECOND HARVEST  
OF COASTAL GEORGIA, INC.  
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DECEMBER 31, 2007 AND 2006

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# CAINES, HODGES, PACE & COMPANY, P.C.

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
America's Second Harvest of  
Coastal Georgia, Inc.  
Savannah, Georgia

We have audited the accompanying statement of financial position of America's Second Harvest of Coastal Georgia, Inc. (a non-profit organization) as of December 31, 2007 and 2006, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the management of America's Second Harvest of Coastal Georgia, Inc. Our responsibility is to express an opinion on these financial statements based on our audit.

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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of America's Second Harvest of Coastal Georgia, Inc. as of December 31, 2007 and 2006, and the changes in 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 April 18, 2008, on our consideration of America's Second Harvest of Coastal Georgia, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of America's Second Harvest of Coastal Georgia, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Caines, Hodges, Pace & Company, P.C.*

Rincon, Georgia  
April 18, 2008



AMERICA'S SECOND HARVEST  
OF COASTAL GEORGIA, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2007 AND 2006

<u>Assets</u>	<u>2007</u>	<u>2006</u>
Current assets:		
Cash		
Unrestricted	\$ 254,850	\$ 37,865
Restricted	220,303	109,584
Receivables		
Support	191,558	178,087
Unconditional promises to give - due within one year (Note 3)	89,037	133,157
Program services (net of allowance for doubtful accounts of \$9,477 in 2007 and 2006)	60,410	50,958
Inventories	31,751	81,069
Prepaid expenses	5,878	12,175
Total current assets	<u>853,787</u>	<u>602,895</u>
Property and equipment (Note 4)	<u>1,744,144</u>	<u>1,838,206</u>
Other assets:		
Unconditional promises to give due after one year - (Note 3)	8,000	55,100
Trademarks	1,877	1,281
Loan costs	1,429	1,429
	<u>11,306</u>	<u>57,810</u>
	<u>\$ 2,609,237</u>	<u>\$ 2,498,911</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Notes payable		
Bank (Note 5)	\$ 183,470	\$ 128,998
Current portion of long-term debt (Note 6)	228,327	5,655
Accounts payable - trade	137,862	107,974
Accrued expenses	28,900	27,845
Total current liabilities	<u>578,559</u>	<u>270,472</u>
Long-term debt (Note 6)	<u>24,580</u>	<u>230,407</u>
Deferred revenue - lease incentive		<u>25,758</u>
Net assets:		
Unrestricted	1,593,094	1,596,724
Temporarily restricted	413,004	375,550
Total net assets	<u>2,006,098</u>	<u>1,972,274</u>
	<u>\$ 2,609,237</u>	<u>\$ 2,498,911</u>

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

AMERICA'S SECOND HARVEST  
OF COASTAL GEORGIA, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Unrestricted net assets:		
Support and other revenue		
Contributions	\$ 291,922	\$ 210,893
Chef's Table	157,943	128,238
Donated product - Food Bank	5,145,808	4,750,049
Grants and contracts	1,269,279	1,226,877
Program service fees	910,381	814,930
Other	8,596	2,993
	<u>7,783,929</u>	<u>7,133,980</u>
Net assets released from restrictions (Note 9)	153,926	515,232
	<u>7,937,855</u>	<u>7,649,212</u>
Expenses		
Program services	7,479,123	6,833,749
Management and general	322,920	304,702
Fund-raising	139,442	127,677
	<u>7,941,485</u>	<u>7,266,128</u>
Increase (decrease) in unrestricted net assets	<u>(3,630)</u>	<u>383,084</u>
Temporarily restricted net assets:		
Support and other revenue - contributions	191,380	177,972
Net assets released from restrictions by payments (Note 9)	(153,926)	(515,232)
Increase (decrease) in temporarily restricted net assets	<u>37,454</u>	<u>(337,260)</u>
Increase in net assets	33,824	45,824
Net assets - beginning of year	<u>1,972,274</u>	<u>1,926,450</u>
Net assets - end of year	<u>\$ 2,006,098</u>	<u>\$ 1,972,274</u>

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

AMERICA'S SECOND HARVEST  
OF COASTAL GEORGIA, INC.  
STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Total All Expenses</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>
Salaries and wages	\$ 754,202	\$ 614,879	\$ 109,323	\$ 30,000
Training stipends	24,697	24,697		
Payroll taxes and employee benefits	<u>176,237</u>	<u>143,681</u>	<u>25,546</u>	<u>7,010</u>
Total compensation	955,136	783,257	134,869	37,010
Donated product distributed	5,145,808	5,145,808		
Professional fees	12,071		12,071	
Warehouse expense	117,997	117,997		
Office expense	95,240		95,240	
Transportation costs	93,666	93,666		
Printing and publications	501	501		
Membership dues	8,809	8,809		
Fundraising	53,934			53,934
Food purchases and share maintenance	986,672	986,672		
Depreciation	131,451	105,161	26,290	
Interest paid	33,002	20,540	12,462	
Other operating expenses	<u>307,198</u>	<u>216,712</u>	<u>41,988</u>	<u>48,498</u>
	<u>\$ 7,941,485</u>	<u>\$ 7,479,123</u>	<u>\$ 322,920</u>	<u>\$ 139,442</u>

FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Total All Expenses</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>
Salaries and wages	\$ 718,924	\$ 576,964	\$ 111,960	\$ 30,000
Training stipends	18,500	18,500		
Payroll taxes and employee benefits	<u>164,285</u>	<u>131,846</u>	<u>25,584</u>	<u>6,855</u>
Total compensation	901,709	727,310	137,544	36,855
Donated product distributed	4,750,049	4,750,049		
Professional fees	4,573		4,573	
Warehouse expense	114,783	114,783		
Office expense	93,942		93,942	
Transportation costs	85,292	85,292		
Printing and publications	3,990	3,990		
Membership dues	8,214	8,214		
Fundraising	47,002			47,002
Food purchases and share maintenance	859,926	859,926		
Depreciation	133,571	106,857	26,714	
Interest paid	33,907	18,127	15,780	
Other operating expenses	<u>229,170</u>	<u>159,201</u>	<u>26,149</u>	<u>43,820</u>
	<u>\$ 7,266,128</u>	<u>\$ 6,833,749</u>	<u>\$ 304,702</u>	<u>\$ 127,677</u>

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

AMERICA'S SECOND HARVEST  
OF COASTAL GEORGIA, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Increase in net assets	\$ 33,824	\$ 45,824
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	131,451	133,571
Decrease in receivables	68,297	33,385
(Increase) decrease in inventories	49,318	(62,702)
(Increase) decrease in prepaid expenses	6,297	(4,233)
Increase in other assets	(596)	
Increase in accounts payable	29,888	97,514
Increase (decrease) in accrued expenses	1,055	(403)
Decrease in deferred revenue	<u>(25,758)</u>	<u>(48,333)</u>
Net cash provided by operating activities	<u>293,776</u>	<u>194,623</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(37,389)</u>	<u>(82,570)</u>
Cash flows from financing activities:		
Proceeds from short-term debt	469,067	188,998
Repayment of short-term debt	(414,595)	(179,297)
Proceeds from long-term debt	100,000	280,250
Repayment of long-term debt	<u>(83,155)</u>	<u>(606,372)</u>
Net cash provided by (used for) financing activities	<u>71,317</u>	<u>(316,421)</u>
Increase (decrease) in cash	327,704	(204,368)
Cash balance - beginning of year	<u>147,449</u>	<u>351,817</u>
Cash balance - end of year	<u>\$ 475,153</u>	<u>\$ 147,449</u>

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

AMERICA'S SECOND HARVEST  
OF COASTAL GEORGIA, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006

Note 1 - Description of Operations

The Food Bank was organized and incorporated to provide food and other related items at low costs to qualified organizations which provide services to the hungry, homeless, etc. in coastal and south Georgia. The Food Bank generally obtains these products from various manufacturers and distributors which, for various reasons, have a surplus of a particular item that they wish to donate.

Note 2 - Summary of Significant Accounting Policies

The significant accounting policies followed by the Food Bank are described below.

Accrual method

The Food Bank presents its financial statements on the accrual method of accounting.

Recognition of donor restrictions

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Accounts receivable - program services

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Food Bank provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of member agencies to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Food Bank's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Promises to give

Unconditional promises to give are recognized as revenue in the period the promise is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. The Food Bank has received no conditional promises to give.

Inventories

Inventories consist of purchased product and are valued at the lower of cost or market using the first-in, first-out method of costing.

## NOTES TO FINANCIAL STATEMENTS

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

#### Property and equipment

The Food Bank capitalizes all expenditures for property and equipment in excess of \$500. Purchased property and equipment are carried at cost. Donated property and equipment are carried at approximate fair value at the date of donation. Provisions for depreciation are made by charges to operations at rates based upon the estimated useful lives of the assets, and are computed by the straight-line method. Estimated useful lives are thirty years for buildings, four to five years for transportation equipment, and four to ten years for furniture, fixtures, and equipment.

#### Income taxes

The Food Bank is an exempt organization under Internal Revenue Code Section 501(c)(3) and is not subject to income tax. Therefore, no provision for income tax is recorded.

#### Use of estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these amounts.

### Note 3 - Promises to Give

The Food Bank has been conducting a fund raising campaign for capital project purposes. Promises to give are restricted to capital projects or the repayment of debt on the Savannah warehouse and office facility. The promises to give to be received after December 31, 2007 have not been discounted. This departure from generally accepted accounting principles is not considered material. The promises to give are summarized as follows.

	<u>2007</u>	<u>2006</u>
Total unconditional promises to give	\$ 97,037	\$ 188,257
Promises to give due within one year	<u>89,037</u>	<u>133,157</u>
	<u>\$ 8,000</u>	<u>\$ 55,100</u>

NOTES TO FINANCIAL STATEMENTS

Note 3 - Promises to Give (continued)

The following is a schedule of unconditional promises to give by year due.

For the year ended December 31,:

2008	\$ 89,037
2009	<u>8,000</u>
	<u>\$ 97,037</u>

Note 4 - Property and Equipment

Property and equipment of the Food Bank consists of the following:

	<u>2007</u>	<u>2006</u>
Land	\$ 310,000	\$ 310,000
Buildings	1,355,141	1,350,944
Transportation equipment	238,429	228,429
Equipment	430,105	407,567
Furniture and fixtures	<u>130,250</u>	<u>129,596</u>
	2,463,925	2,426,536
Less accumulated depreciation	<u>719,781</u>	<u>588,330</u>
	<u>\$ 1,744,144</u>	<u>\$ 1,838,206</u>

Total depreciation expense amounted to \$131,451 in 2007 and \$133,571 in 2006.

Note 5 - Notes Payable - Bank

	<u>2007</u>	<u>2006</u>
Term note payable to Suntrust Bank dated July 31, 2007, with interest payable quarterly at the bank's prime rate plus 2.25%. All principal and remaining interest is due in July 31, 2008. This loan is secured by real estate.	\$ 60,198	60,198
Term note payable to Suntrust Bank dated July 31, 2007, with interest payable quarterly at the bank's prime rate plus 2.25%. All principal and remaining interest is due in July 31, 2008. This loan is secured by real estate.	68,800	68,800

NOTES TO FINANCIAL STATEMENTS

Note 5 - Notes Payable - Bank (continued)

	2007	2006
Term note payable to SunTrust Bank on February 28, 2008, with interest payable monthly at the bank's prime rate plus 2.25%. This note represents a draw on a \$200,000 line of credit. This loan was unsecured.	\$ <u>54,472</u>	\$ <u>          </u>
	\$ <u>183,470</u>	\$ <u>128,998</u>

Note 6 - Long-term Debt

	2007	2006
Note payable to City of Hazlehurst, Georgia in equal monthly installments of \$555 through November, 2012 including interest at 3.0% Secured by a truck and various equipment at the Hazlehurst location.	\$ 30,407	\$ 36,062
Term note payable to Suntrust Bank dated June 26, 2006, with interest payable quarterly at the bank's prime rate plus 2.25%. All principal and remaining interest is due in April, 2008. This loan is secured by real estate.	<u>222,500</u>	<u>200,000</u>
	<u>252,907</u>	<u>236,062</u>
Less current portion of long-term debt	<u>228,327</u>	<u>5,655</u>
	\$ <u>24,580</u>	\$ <u>230,407</u>

The following is a schedule of required future principal payments of long-term debt.

For the year ended December 31,:

2008	228,327
2009	6,004
2010	6,187
2011	6,375
2012	<u>6,014</u>
	<u>\$ 252,907</u>

NOTES TO FINANCIAL STATEMENTS

Note 7 - Donated Services and Materials

The Food Bank receives donated services from a variety of unpaid volunteers assisting the Food Bank in its activities and programs. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort under SFAS No. 116 have not been satisfied.

The Food Bank receives donated food and other items from various private vendors which it subsequently distributes to qualifying agencies in the area. The value of this donated product is recorded as support when received, with a like amount recorded as program expense for the distribution of the product. The estimated value of product received amounted to \$5,145,808 in 2007 and \$4,750,049 in 2006.

Note 8 - Restrictions on Net Assets

Temporarily restricted assets are available for the following purposes.

	2007	2006
Funding of capital projects including the acquisition and start-up of new warehouse facility	\$ 331,254	\$ 363,550
Purchase of software	28,750	4,000
Program related to culinary training	8,000	8,000
Program related to Mobile Pantry	45,000	
	\$ 413,004	\$ 375,550

Note 9 - Releases of Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2007	2006
Capital projects	\$ 153,926	\$ 515,232

Note 10 - Interest Expense

Total interest expense incurred for 2007 and 2006 amounted to \$33,002 and \$33,907 respectively, all of which was charged to operations.

NOTES TO FINANCIAL STATEMENTS

Note 11 - Commitments and Contingencies - Operating Leases

The following is a schedule by years of future minimum rental payments under an operating lease which has noncancelable lease terms as of December 31, 2007.

For the year ended December 31,

2008	\$	5,115
2009		5,115
2010		<u>4,688</u>
	\$	<u>14,918</u>

Lease expense relating to operating leases was \$39,177 for 2007 and \$70,601 for 2006.

Note 12 - Cash Flow Information

Cash paid for interest in 2007 and 2006 amounted to \$33,002 and \$33,907, respectively.

Note 13 - Concentration of Credit Risk

The Food Bank maintains its cash in bank deposit accounts at high credit quality financial institutions. The balances, at times, may exceed federally insured limits. At December 31, 2007 the Food Bank exceeded the insured limit by approximately \$374,997.

## **ADDITIONAL FINANCIAL INFORMATION**

AMERICA'S SECOND HARVEST OF COASTAL GEORGIA, INC.  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2007

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture/Georgia Department of Human Resources, Division of Family and Children Services/ Temporary Emergency Food Assistance Program (TEFAP)	10.568	427-93-05046107-01 427-93-05046107-02	\$ 98,407
U.S. Department of Agriculture/Georgia Department of Early Care and Learning, Bright From the Start/ Child and Adult Care Food Program (CACFP)	10.558	None indicated	<u>397,633</u>
Total U.S. Department of Agriculture			496,040
Department of Health and Human Services/Atlanta Community Food Bank through Georgia Department of Human Resources, State Nutrition Assistance Program/ Temporary Assistance to Needy Families (TANF)	93.558	None indicated	465,556
Departments of Housing and Urban Development/City of Savannah, Georgia/Community Development Block Grant	14.225	None indicated	30,000
Department of Homeland Security/United Way of Coastal Empire/Emergency Food and Shelter Program	97.024	182200-009	<u>7,750</u>
Total expenditure of federal awards			<u>\$ 999,346</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of America's Second Harvest of Coastal Georgia, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

# CAINES, HODGES, PACE & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors  
America's Second Harvest of  
Coastal Georgia, Inc.  
Savannah, Georgia

We have audited the financial statements of America's Second Harvest of Coastal Georgia, Inc. (the Food Bank), a nonprofit organization, as of and for the year ended December 31, 2007, and have issued our report thereon dated April 18, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Compliance and Other Matters

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

We noted certain matters that we reported to management of America's Second Harvest of Coastal Georgia, Inc. in a separate letter dated April 18, 2008.

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

*Caino, Hodge, Pace & Company, P.C.*

Rincon, Georgia  
April 18, 2008

# CAINES, HODGES, PACE & COMPANY, P.C.

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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors  
America's Second Harvest of  
Coastal Georgia, Inc.  
Savannah, Georgia

### Compliance

We have audited the compliance of America's Second Harvest of Coastal Georgia, Inc. (the Food Bank), a nonprofit organization, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The Food Bank's major federal programs are identified in the summary of 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 the Food Bank's management. Our responsibility is to express an opinion on the Food Bank's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Food Bank's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Food Bank's compliance with those requirements.

In our opinion, America's Second Harvest of Coastal Georgia, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of the Food Bank is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Food Bank's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Food Bank's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Cain, Hodge, Rice & Company, P.C.

Rincon, Georgia  
April 18, 2008

AMERICA'S SECOND HARVEST  
OF COASTAL GEORGIA, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**Section 1 - Summary of Auditor's Reports**

Financial Statements

Type of auditors' report issued Unqualified  
 Internal control over financial reporting:  
 Material weakness(es) identified? \_\_\_\_\_ yes  X  no  
 Significant deficiencies identified not considered to be material \_\_\_\_\_ yes  X  none reported  
 Noncompliance material to financial statements noted? \_\_\_\_\_ yes  X  no

Federal Awards

Internal control over major programs:  
 Material weakness(es) identified? \_\_\_\_\_ yes  X  no  
 Reportable conditions identified not considered to be material \_\_\_\_\_ yes  X  none reported  
 Type of auditors' report on compliance for major programs Unqualified  
 Any audit findings disclosed that are required to be reported in  
 accordance with OMB Circular A-133, Section 510(a)? \_\_\_\_\_ yes  X  no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
93.558	Department of Health and Human Services/Atlanta Community Food Bank through Georgia Department of Human Resources, State Nutrition Assistance Program/ Temporary Assistance to Needy Families (TANF)
10.558	Department of Agriculture Georgia Department of Early Care and Learning, Bright from the Start/Child and Adult Care Food Program (CACFP)

Dollar threshold to distinguish between  
 Type A and Type B programs \$  300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes  X  no

AMERICA'S SECOND HARVEST  
OF COASTAL GEORGIA, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**Section II - Financial Statement Findings**

None reported

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

None reported