

***AMERICA'S SECOND HARVEST
OF COASTAL GEORGIA, INC.
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008***

AMERICA'S SECOND HARVEST
OF COASTAL GEORGIA, INC.
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SEPTEMBER 30, 2009 AND 2008

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200 E. St. Julian Street
P. O. Box 10420
Savannah, Georgia 31412
(912) 233-6383

1009 N. Columbia Avenue
Suite A
Rincon, Georgia
(912) 826-2345

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 September 30, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the respective year and nine-months then ended. These financial statements are the responsibility of America's Second Harvest of Coastal Georgia, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 September 30, 2009 and 2008, and the changes in its net assets and its cash flows for the respective year and nine-months 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 February 17, 2010, 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.

To the Board of Directors of
America's Second Harvest of Coastal Georgia, Inc.
Savannah, Georgia
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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 Schedule of Projects Constructed with Special Local Option Sales Tax Proceeds and the Schedule of State Contractual Assistance, are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 also 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, Hodge, Pace & Company, P.C.

Rincon, Georgia
February 17, 2010

AMERICA'S SECOND HARVEST
OF COASTAL GEORGIA, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2009 AND 2008

<u>Assets</u>	<u>2009</u>	<u>2008</u>
Current assets:		
Cash		
Unrestricted	\$ 110,865	\$ 52,987
Restricted		202,170
Receivables		
Support	495,523	141,907
Unconditional promises to give - due within one year (Note 4)	7,000	7,000
Program services (net of allowance for doubtful accounts of \$9,477 in 2009 and 2008)	61,616	37,114
Inventories	113,662	128,202
Prepaid expenses	8,045	8,019
Total current assets	<u>796,711</u>	<u>577,399</u>
Property and equipment (Note 5)	<u>2,210,305</u>	<u>1,916,106</u>
Other assets:		
Unconditional promises to give due after one year - (Note 4)		7,000
Other	1,877	3,371
	<u>1,877</u>	<u>10,371</u>
	<u>\$ 3,008,893</u>	<u>\$ 2,503,876</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Notes payable		
Bank (Note 6)	\$ 399,765	\$ 275,198
Current portion of long-term debt (Note 7)	21,206	13,831
Accounts payable - trade	241,690	122,644
Accrued expenses	80,538	77,623
Total current liabilities	<u>743,199</u>	<u>489,296</u>
Long-term debt (Note 7)	<u>34,083</u>	<u>43,487</u>
Net assets:		
Unrestricted	2,231,611	1,721,983
Temporarily restricted		249,110
Total net assets	<u>2,231,611</u>	<u>1,971,093</u>
	<u>\$ 3,008,893</u>	<u>\$ 2,503,876</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 YEAR ENDED SEPTEMBER 30, 2009
AND THE NINE MONTHS ENDED SEPTEMBER 30, 2008

	<u>2009</u>	<u>2008</u>
Unrestricted net assets:		
Support and other revenue		
Contributions	\$ 405,995	\$ 217,334
Chef's Table	141,777	46,043
Donated product - Food Bank	6,550,106	5,093,470
Grants and contracts	2,178,330	1,394,092
Program service fees	1,268,832	699,181
Other	2,094	6,213
	<u>10,547,134</u>	<u>7,456,333</u>
Net assets released from restrictions (Note 10)	249,110	163,894
	<u>10,796,244</u>	<u>7,620,227</u>
Expenses		
Program services	9,752,309	7,154,864
Management and general	258,031	238,145
Fund-raising	189,276	64,599
Refund of restricted net assets	87,000	
	<u>10,286,616</u>	<u>7,457,608</u>
Increase in unrestricted net assets	509,628	162,619
Temporarily restricted net assets:		
Net assets released from restrictions by payments (Note 10)	<u>(249,110)</u>	<u>(163,894)</u>
Increase (decrease) in net assets	260,518	(1,275)
Net assets - beginning of year	<u>1,971,093</u>	<u>1,972,368</u>
Net assets - end of year	<u>\$ 2,231,611</u>	<u>\$ 1,971,093</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 SEPTEMBER 30, 2009

	Total All Expenses	Program Services	Management and General	Fund Raising
Salaries and wages	\$ 861,579	\$ 733,030	\$ 73,441	\$ 55,108
Training stipends	36,416	36,416		
Payroll taxes and employee benefits	214,580	182,564	18,291	13,725
Total compensation	<u>1,112,575</u>	<u>952,010</u>	<u>91,732</u>	<u>68,833</u>
Donated product distributed	6,550,106	6,550,106		
Professional fees	10,806		10,806	
Warehouse expense	133,777	133,777		
Office expense	106,183		106,183	
Transportation costs	127,564	127,564		
Printing and publications	11,062	11,062		
Membership dues	10,391	10,391		
Fundraising	66,867			66,867
Food purchases and share maintenance	1,611,187	1,611,187		
Depreciation	147,827	118,262	29,565	
Interest paid	9,576	8,618	958	
Other operating expenses	301,695	229,332	18,787	53,576
	<u>\$ 10,199,616</u>	<u>\$ 9,752,309</u>	<u>\$ 258,031</u>	<u>\$ 189,276</u>

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008

	Total All Expenses	Program Services	Management and General	Fund Raising
Salaries and wages	\$ 615,053	\$ 498,778	\$ 89,275	\$ 27,000
Training stipends	28,610	28,610		
Payroll taxes and employee benefits	145,509	118,001	21,121	6,387
Total compensation	<u>789,172</u>	<u>645,389</u>	<u>110,396</u>	<u>33,387</u>
Donated product distributed	5,093,470	5,093,470		
Professional fees	11,208		11,208	
Warehouse expense	119,591	119,591		
Office expense	72,453		72,453	
Transportation costs	114,913	114,913		
Printing and publications	829	829		
Membership dues	6,608	6,608		
Fundraising	12,810			12,810
Food purchases and share maintenance	940,463	940,463		
Depreciation	108,835	87,068	21,767	
Interest paid	12,732	11,780	952	
Other operating expenses	174,524	134,753	21,369	18,402
	<u>\$ 7,457,608</u>	<u>\$ 7,154,864</u>	<u>\$ 238,145</u>	<u>\$ 64,599</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 YEAR ENDED SEPTEMBER 30, 2009
AND THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 260,518	\$ (1,275)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	147,827	108,835
Loss on sale of property and equipment	7,132	
(Increase) decrease in receivables	(371,118)	155,984
(Increase) decrease in inventories	14,540	(96,451)
(Increase) in prepaid expenses	(26)	(2,141)
(Increase) decrease in other assets	1,494	(65)
Increase (decrease) in accounts payable	119,046	(15,218)
Increase in accrued expenses	2,915	14,993
Net cash provided by operating activities	<u>182,328</u>	<u>164,662</u>
Cash flows from investing activities:		
Purchases of property and equipment	(453,501)	(280,796)
Proceeds from sale of property and equipment	4,343	
Net cash used for investing activities	<u>(449,158)</u>	<u>(280,796)</u>
Cash flows from financing activities:		
Proceeds from short-term debt	571,088	576,470
Repayment of short-term debt	(446,521)	(707,243)
Proceeds from long-term debt	26,155	33,033
Repayment of long-term debt	(28,184)	(6,122)
Net cash provided by (used for) financing activities	<u>122,538</u>	<u>(103,862)</u>
Decrease in cash	(144,292)	(219,996)
Cash balance - beginning of year	<u>255,157</u>	<u>475,153</u>
Cash balance - end of year	<u>\$ 110,865</u>	<u>\$ 255,157</u>

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

AMERICA'S SECOND HARVEST
OF COASTAL GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008

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.

Reclassification

Certain 2008 amounts have been reclassified to conform with the 2009 financial statement presentation.

Note 3 - Fiscal Year Change

During 2008, the Food Bank changed its fiscal year-end from December 31 to September 30. As a result the accompanying 2008 financial statements reflect a 9 month operating period, January 1 through September 30, 2008. The financial statements for 2009 reflect a 12 month operating period, and therefore are not entirely comparable to 2008.

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NOTES TO FINANCIAL STATEMENTS

Note 4 - 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 September 30, 2009 have not been discounted. This departure from generally accepted accounting principles is not considered material. The promises to give are summarized as follows.

	2009	2008
Total unconditional promises to give	\$ 7,000	\$ 14,000
Promises to give due within one year	7,000	7,000
Promises to give due after one year	\$ 0	\$ 7,000

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

For the year ended September 30, 2010	\$ 7,000
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Note 5 - Property and Equipment

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

	2009	2008
Land	\$ 365,000	\$ 310,000
Construction in progress	227,786	4,600
Buildings	1,371,423	1,371,423
Transportation equipment	553,246	447,172
Equipment	485,266	456,513
Furniture and fixtures	158,767	155,013
	3,161,488	2,744,721
Less accumulated depreciation	951,183	828,615
	\$ 2,210,305	\$ 1,916,106

Total depreciation expense amounted to \$147,827 in 2009 and \$108,835 in 2008.

NOTES TO FINANCIAL STATEMENTS

Note 6 - Notes Payable - Bank

	2009	2008
Term note payable to Suntrust Bank dated July 31, 2008, with interest payable quarterly at LIBOR plus 2.25%. All principal and remaining interest is due in July 31, 2009. This loan is secured by a negative pledge against real estate.		\$ 60,198
Term note payable to Suntrust Bank dated April 26, 2009, with interest payable monthly at LIBOR plus 2.25%. All principal and remaining interest is due April 26, 2010. This note represents a draw on a \$300,250 line of credit. This loan is secured by a negative pledge against real estate.		215,000
Term note payable to SunTrust Bank dated February 28, 2009, with interest payable monthly at LIBOR plus 2.25%. This note represents a draw on a \$200,000 line of credit. This loan is secured by a negative pledge against real estate.	\$ 163,971	
Note payable to SunTrust Bank dated July 2, 2009, with interest payable monthly at LIBOR plus 2.25%. This note represents an advance on a construction loan for a new building in the amount of \$1,500,000. Principal and remaining interest is due July 10, 2010. This note is secured by real estate.	195,794	
Note payable to Sea Island Bank with interest payable monthly at 5%. This note represents an advance on a construction loan for a new building in the amount of \$315,000. Principal and remaining interest is due August 3, 2010. This note is secured by certificates of deposit.	40,000	
	\$ 399,765	\$ 275,198

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NOTES TO FINANCIAL STATEMENTS

Note 7 - Long-term Debt

	<u>2008</u>	<u>2008</u>
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.	\$ 20,094	\$ 26,053
Note payable to Ford Motor Credit in 48 equal monthly installments of \$746 through June, 2012 including interest at 3.9%. This loan is secured by a commercial truck.	24,040	31,265
Note payable to Ford Motor Credit in 48 equal monthly installments of \$616 through August, 2013, including interest at 5.99%. This note is secured by a commercial vehicle.	<u>11,155</u>	
	55,289	<u>57,318</u>
Less current portion of long-term debt	<u>21,206</u>	<u>13,831</u>
	<u>\$ 34,083</u>	<u>\$ 43,487</u>

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

For the year ended September 30,	
2010	\$ 21,206
2011	19,109
2012	13,868
2013	<u>1,106</u>
	<u>\$ 55,289</u>

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NOTES TO FINANCIAL STATEMENTS

Note 8 - 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 \$6,550,106 in 2009 and \$5,093,470 in 2008.

Note 9 - Restrictions on Net Assets

Temporarily restricted assets are available for the following purposes.

	2009	2008
Capital projects		237,123
Purchase of software		3,987
Other		\$ 8,000
	\$ 0	\$ 249,110

Note 10 - 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.

	2009	2008
Capital projects	\$ 237,123	\$ 94,131
Purchase of software	3,987	24,763
Program related to Mobile Pantry		45,000
Other	8,000	
	\$ 249,110	\$ 163,894

NOTES TO FINANCIAL STATEMENTS

Note 11 - Interest Expense

Total interest expense incurred for 2009 and 2008 amounted to \$9,576 and \$12,732 respectively, all of which was charged to operations.

Note 12 - Employee Benefit Plan

Beginning January, 2009, the Food Bank implemented a defined-contribution plan for eligible employees where the Food Bank matches up to a maximum of 3% of each participating employee's gross income. Eligible participants have been employed with the Food Bank for a minimum of one year during which they received wages of at least \$5,000, and are expected to receive at least \$5,000 in compensation during the current year. The Food Bank's expense was \$8,604 during 2009.

Note 13 - 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 September 30, 2009.

For the year ended September 30,

2010	\$ 21,333
2011	<u>4,775</u>
	<u>\$ 26,108</u>

Lease expense relating to operating leases was \$26,733 for 2009 and \$11,828 for 2008.

Note 14 - Cash Flow Information

Cash paid for interest in 2009 and 2008 amounted to \$9,576 and \$12,732, respectively.

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ADDITIONAL FINANCIAL INFORMATION

SECOND HARVEST FOOD BANK
 OF COASTAL GEORGIA INC
 SCHEDULE OF PROJECTS CONSTRUCTED WITH
 SPECIAL PURPOSE LOCAL OPTION SALES TAX
 SEPTEMBER 30, 2009

Project	Original Estimated Cost	Revised Estimated Cost	Actual Expenditures			Percentage Completed
			Prior Years	Current Year	Total	
Building acquisition	\$ <u>787,208</u>	\$ <u>784,206</u>	\$ <u>727,010</u>	\$ <u>57,196</u>	\$ <u>784,206</u>	<u>100%</u>

AMERICA'S SECOND HARVEST OF COASTAL GEORGIA, INC.
 SCHEDULE OF STATE CONTRACTURAL ASSISTANCE
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Contract Number	Revenue	Expenditures	Due from State
Passed through the Georgia Department of Human Resources				
Temporary Emergency Food Assistance Program (TEFAP)	427-93-05046107-04	\$ 43,958	\$ 138,543	\$ 94,585
American Recovery and Reinvestment Act	427-40-0000003188		51,601	51,601
		<u>43,958</u>	<u>190,144</u>	<u>146,186</u>
 State Nutrition Assistance Program , passed through Atlanta Community Food Bank - Temporary Assistance to Needy Families (TANF)				
	None indicated	<u>387,968</u>	<u>671,125</u>	<u>283,157</u>
Total Georgia Department of Human Resources		<u>\$ 475,884</u>	<u>\$ 1,051,413</u>	<u>\$ 575,529</u>
 Passed through the Georgia Department of Early Care and Learning				
Child and Adult Care Food Program (CACFP)	03231	\$ 510,271	\$ 550,898	\$ 40,627
Summer Food Service Program (SFSP)	08230	101,261	101,261	0
		<u>\$ 611,532</u>	<u>\$ 652,159</u>	<u>\$ 40,627</u>

AMERICA'S SECOND HARVEST OF COASTAL GEORGIA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

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	427-93-05046107-02	\$ 190,144
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>652,159</u>
Total U.S. Department of Agriculture			842,303
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	671,125
Departments of Housing and Urban Development/City of Savannah, Georgia/Community Development Block Grant	14.225	None indicated	29,721
Department of Homeland Security/United Way of Coastal Empire/Emergency Food and Shelter Program	97.024	182200-009	<u>13,700</u>
Total expenditure of federal awards			<u>\$ 1,556,849</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.



200 E. St. Julian Street
P. O. Box 10420
Savannah, Georgia 31412
(912) 233-6383

1009 N. Columbia Avenue
Suite A
Rincon, Georgia
(912) 826-2345

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE
AND OTHER MATTERS 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 September 30, 2009, and have issued our report thereon dated February 17, 2010. 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*.

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.

Caines, Hodge, Pace & Company, P.C.

Rincon, Georgia
February 17, 2010



200 E. St. Julian Street
P. O. Box 10420
Savannah, Georgia 31412
(912) 233-6383

1009 N. Columbia Avenue
Suite A
Rincon, Georgia
(912) 826-2345

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

To the Board of Directors
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 September 30, 2009. 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 September 30, 2009.

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.

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

Rincon, Georgia
February 17, 2010

AMERICA'S SECOND HARVEST
OF COASTAL GEORGIA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

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
 Significant deficiencies 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)

Dollar threshold to distinguish between Type A and Type B programs \$ 300,000
 Auditee qualified as low-risk auditee? X yes no

Section II - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

None reported