

SECOND HARVEST FOOD BANK OF MIDDLE TENNESSEE, INC.
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2008 AND 2007

SECOND HARVEST FOOD BANK OF MIDDLE TENNESSEE, INC.
AND SUBSIDIARY

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ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2008 AND 2007

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INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED
FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION

Board of Directors
Second Harvest Food Bank of Middle Tennessee, Inc.
Nashville, Tennessee

We have audited the accompanying consolidated statements of financial position of Second Harvest Food Bank of Middle Tennessee, Inc. and Subsidiary (collectively, the "Agency"), a Tennessee not-for-profit corporation, as of June 30, 2008 and 2007, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Second Harvest Food Bank of Middle Tennessee, Inc. and Subsidiary as of June 30, 2008 and 2007, and the consolidated changes in their net assets and their 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 January 5, 2009, on our consideration of Second Harvest Food Bank of Middle Tennessee, Inc. and Subsidiary's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were performed for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying consolidated 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 consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

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Nashville, Tennessee
January 5, 2009

SECOND HARVEST FOOD BANK OF MIDDLE TENNESSEE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2008 AND 2007

| | <u>2008</u> | <u>2007</u> |
|---|--------------------------|--------------------------|
| ASSETS | | |
| Operating assets: | | |
| Cash and cash equivalents | \$ 661,574 | \$ 175,048 |
| Accounts receivable | 940,658 | 860,167 |
| Pledges receivable, net - Note 2 | 467,814 | 836,989 |
| Inventories - Note 3 | 2,885,160 | 2,125,100 |
| Prepaid expenses | 102,322 | 23,312 |
| Investments - Note 4 | 2,473,073 | 1,904,219 |
| Property and equipment - at cost, less accumulated depreciation - Note 5 | 7,208,197 | 7,427,464 |
| Other assets | 83,066 | 89,035 |
| Capital campaign assets: | | |
| Cash and cash equivalents | 20,729 | 274,214 |
| Pledges receivable, net - Note 2 | <u>858,020</u> | <u>866,000</u> |
| TOTAL ASSETS | <u>\$ 15,700,613</u> | <u>\$ 14,581,548</u> |
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 1,377,678 | \$ 1,013,446 |
| Deferred grant revenue | 91,149 | 26,384 |
| Line of credit obligation - Note 6 | 470,000 | - |
| Bonds payable - Note 6 | <u>1,000,000</u> | <u>1,655,000</u> |
| TOTAL LIABILITIES | <u>2,938,827</u> | <u>2,694,830</u> |
| COMMITMENTS AND CONTINGENCIES - Notes 7, 10 and 12 | | |
| NET ASSETS | | |
| Unrestricted: | | |
| Designated: | | |
| Donated food inventory | 1,271,345 | 1,003,846 |
| Property and equipment, less related debt | 6,208,197 | 5,772,464 |
| Other board designations - Note 1 | 300,000 | 300,000 |
| Undesignated | <u>3,635,180</u> | <u>3,194,734</u> |
| Total unrestricted | 11,414,722 | 10,271,044 |
| Temporarily restricted - Note 9 | <u>1,347,064</u> | <u>1,615,674</u> |
| TOTAL NET ASSETS | <u>12,761,786</u> | <u>11,886,718</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 15,700,613</u> | <u>\$ 14,581,548</u> |

See accompanying notes to consolidated financial statements.

SECOND HARVEST FOOD BANK OF MIDDLE TENNESSEE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

| | 2008 | | |
|---|---------------|------------------------|---------------|
| | Unrestricted | Temporarily Restricted | Totals |
| REVENUES - PROJECT PRESERVE® PROGRAM | | | |
| Agency purchased product | \$ 896,042 | \$ - | \$ 896,042 |
| Sales to out of area network agencies, net of discount | 16,589,733 | - | 16,589,733 |
| Donated food utilized and distributed | 429,504 | - | 429,504 |
| TOTAL REVENUES - PROJECT PRESERVE® PROGRAM | 17,915,279 | - | 17,915,279 |
| DIRECT COSTS AND EXPENSES - PROJECT PRESERVE® PROGRAM | 17,297,273 | - | 17,297,273 |
| GROSS PROFIT FROM PROJECT PRESERVE® PROGRAM | 618,006 | - | 618,006 |
| SUPPORT AND REVENUE | | | |
| Donated food | 9,967,885 | - | 9,967,885 |
| Contributions | 2,148,057 | 1,787,869 | 3,935,926 |
| Government grants | 573,961 | - | 573,961 |
| Shared maintenance | 354,498 | - | 354,498 |
| Culinary arts program | 113,789 | - | 113,789 |
| Special events and activities | 627,056 | 26,017 | 653,073 |
| Less: direct benefits to donors | (94,227) | - | (94,227) |
| Investment income (loss) - Note 4 | (55,240) | - | (55,240) |
| Class action lawsuit settlement proceeds - Note 12 | 466,257 | - | 466,257 |
| Other income | 31,151 | - | 31,151 |
| Net assets released in satisfaction of program restrictions | 2,082,496 | (2,082,496) | - |
| TOTAL SUPPORT AND REVENUE | 16,215,683 | (268,610) | 15,947,073 |
| EXPENSES | | | |
| Program services: | | | |
| Emergency Food Box | 5,200,761 | - | 5,200,761 |
| Community Food Partners | 4,861,561 | - | 4,861,561 |
| Children's Programs | 1,005,701 | - | 1,005,701 |
| Nashville's Table | 2,500,087 | - | 2,500,087 |
| Culinary Arts Program | 230,323 | - | 230,323 |
| Total Program Services | 13,798,433 | - | 13,798,433 |
| Supporting services: | | | |
| Management and general | 856,460 | - | 856,460 |
| Fund raising | 994,808 | - | 994,808 |
| Capital campaign | 40,310 | - | 40,310 |
| Total Supporting Services | 1,891,578 | - | 1,891,578 |
| TOTAL EXPENSES | 15,690,011 | - | 15,690,011 |
| CHANGE IN NET ASSETS | 1,143,678 | (268,610) | 875,068 |
| NET ASSETS - BEGINNING OF YEAR | 10,271,044 | 1,615,674 | 11,886,718 |
| NET ASSETS - END OF YEAR | \$ 11,414,722 | \$ 1,347,064 | \$ 12,761,786 |

See accompanying notes to consolidated financial statements.

| 2007 | | |
|----------------------|-----------------------------------|----------------------|
| <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Totals</u> |
| \$ 1,055,072 | \$ - | \$ 1,055,072 |
| 14,379,702 | - | 14,379,702 |
| 550,531 | - | 550,531 |
| 15,985,305 | - | 15,985,305 |
| 15,138,912 | - | 15,138,912 |
| 846,393 | - | 846,393 |
| 8,779,275 | - | 8,779,275 |
| 2,357,731 | 2,121,884 | 4,479,615 |
| 1,124,912 | - | 1,124,912 |
| 600,975 | - | 600,975 |
| 103,820 | - | 103,820 |
| 446,965 | 5,000 | 451,965 |
| (34,265) | - | (34,265) |
| 282,376 | - | 282,376 |
| - | - | - |
| 22,716 | - | 22,716 |
| 1,607,111 | (1,607,111) | - |
| 15,291,616 | 519,773 | 15,811,389 |
| 3,632,370 | - | 3,632,370 |
| 5,682,744 | - | 5,682,744 |
| 824,111 | - | 824,111 |
| 2,525,709 | - | 2,525,709 |
| 206,579 | - | 206,579 |
| 12,871,513 | - | 12,871,513 |
| 1,155,519 | - | 1,155,519 |
| 851,716 | - | 851,716 |
| 23,023 | - | 23,023 |
| 2,030,258 | - | 2,030,258 |
| 14,901,771 | - | 14,901,771 |
| 1,236,238 | 519,773 | 1,756,011 |
| 9,034,806 | 1,095,901 | 10,130,707 |
| <u>\$ 10,271,044</u> | <u>\$ 1,615,674</u> | <u>\$ 11,886,718</u> |

SECOND HARVEST FOOD BANK OF MIDDLE TENNESSEE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

| | <u>2008</u> | <u>2007</u> |
|--|-------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 875,068 | \$ 1,756,011 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 462,248 | 448,419 |
| Noncash contribution of property and equipment | (24,800) | (70,000) |
| Noncash contribution of investments | (359,820) | - |
| Realized and unrealized losses (gains) on investments | 105,111 | (257,827) |
| (Gain) loss on disposition of property and equipment | 11,491 | (36) |
| Capital grant revenues for purchase of property and equipment | (55,727) | (566,892) |
| Contributions for capital campaign, net of allowance | (35,650) | (855,833) |
| (Increase) decrease in: | | |
| Accounts receivable | (89,521) | 377,151 |
| Pledges receivable - operations | 369,175 | (440,153) |
| Inventories | (760,060) | 354,834 |
| Prepaid expenses | (79,010) | (5,384) |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 364,232 | (82,658) |
| Deferred grant revenue | 64,765 | (24,853) |
| TOTAL ADJUSTMENTS | <u>(27,566)</u> | <u>(1,123,232)</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>847,502</u> | <u>632,779</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sales and maturities of investments | 691,272 | 46,681 |
| Purchases of investments | (1,005,417) | (456,084) |
| Capital grant collections for purchase of property and equipment | 64,757 | 599,392 |
| Proceeds from sale of property and equipment | - | 1,500 |
| Additions to property and equipment | <u>(223,703)</u> | <u>(626,219)</u> |
| NET CASH USED IN INVESTING ACTIVITIES | <u>(473,091)</u> | <u>(434,730)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Collections on pledges for capital campaign | 43,630 | 256,658 |
| Borrowings under line of credit | 920,000 | 120,000 |
| Payments on line of credit | (450,000) | (520,000) |
| Payment of bonds payable | <u>(655,000)</u> | <u>(325,000)</u> |
| NET CASH USED IN FINANCING ACTIVITIES | <u>(141,370)</u> | <u>(468,342)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 233,041 | (270,293) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | <u>449,262</u> | <u>719,555</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 682,303</u> | <u>\$ 449,262</u> |
| OTHER CASH FLOW DISCLOSURES: | | |
| Cash paid for interest | <u>\$ 75,005</u> | <u>\$ 95,805</u> |

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

| | PROGRAM SERVICES | | | | SUPPORTING SERVICES | | | | | |
|---|-------------------|--------------------|---------------|---------------------|---------------------|---------------|------------------------|------------------------|------------------|---------------|
| | PROJECT PRESERVE® | EMERGENCY FOOD BOX | COMMUNITY | | NASHVILLE'S TABLE | CULINARY ARTS | MANAGEMENT AND GENERAL | | CAPITAL CAMPAIGN | TOTALS |
| | | | FOOD PARTNERS | CHILDREN'S PROGRAMS | | | FUND RAISING | | | |
| Salaries and contract labor | \$ 462,710 | \$ 352,629 | \$ 488,966 | \$ 228,567 | \$ 238,544 | \$ 90,130 | \$ 241,605 | \$ 465,778 | \$ - | \$ 2,568,929 |
| Payroll taxes and benefits | 134,539 | 57,790 | 133,182 | 40,169 | 59,732 | 30,982 | 113,313 | 118,761 | - | 688,468 |
| TOTAL SALARIES AND RELATED EXPENSES | 597,249 | 410,419 | 622,148 | 268,736 | 298,276 | 121,112 | 354,918 | 584,539 | - | 3,257,397 |
| Occupancy | 71,377 | 59,064 | 99,054 | 19,102 | 40,063 | 17,802 | 29,927 | 5,159 | - | 341,548 |
| Communication expense | 6,923 | 34,504 | 42,960 | 29,065 | 31,528 | 1,598 | 33,900 | 70,636 | - | 251,114 |
| Food supplies and distribution | 15,599,610 | 74,125 | 387,880 | 38,209 | 121 | 64,027 | 26,413 | 2,382 | - | 16,192,767 |
| Donated food | 512,952 | 3,931,241 | 3,348,662 | 357,293 | 1,976,090 | - | - | - | - | 10,126,238 |
| Internal food purchases and/or reimbursement | (781,143) | 548,546 | 300 | 233,317 | 480 | (4,192) | 2,692 | - | - | - |
| Product transportation | 1,174,046 | 30,187 | 151,328 | 19,868 | 89,776 | - | 219 | - | - | 1,465,424 |
| Office and administration - Note 6 | 13,100 | 6,871 | 7,588 | 4,842 | 12,665 | 1,491 | 196,390 | 81,157 | 17,298 | 341,402 |
| Travel and conferences | 12,718 | 93 | 332 | 354 | 4 | 93 | 43,037 | 4,909 | - | 61,540 |
| Professional fees | 4,722 | 4,728 | 5,202 | 4,475 | 4,457 | - | 134,211 ⁽¹⁾ | 6,785 | 16,120 | 180,700 |
| Other special event costs | - | - | - | - | - | - | - | 308,796 ⁽²⁾ | - | 308,796 |
| Insurance | 12,927 | 12,927 | 23,085 | 6,464 | 9,234 | 2,770 | 15,697 | 8,310 | 923 | 92,337 |
| TOTAL EXPENSES BEFORE DEPRECIATION | 17,224,481 | 5,112,705 | 4,688,539 | 981,725 | 2,462,694 | 204,701 | 837,404 | 1,072,673 | 34,341 | 32,619,263 |
| Depreciation and amortization | 72,792 | 88,056 | 173,022 | 23,976 | 37,393 | 25,622 | 19,056 | 16,362 | 5,969 | 462,248 |
| TOTAL EXPENSES | 17,297,273 | 5,200,761 | 4,861,561 | 1,005,701 | 2,500,087 | 230,323 | 856,460 | 1,089,035 | 40,310 | 33,081,511 |
| Less expenses included with revenues on the statement of activities: | | | | | | | | | | |
| Direct benefits to donors | - | - | - | - | - | - | - | (94,227) | - | (94,227) |
| Direct costs and expenses of Project Preserve® program | (17,297,273) | - | - | - | - | - | - | - | - | (17,297,273) |
| TOTAL EXPENSES INCLUDED IN EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES | \$ - | \$ 5,200,761 | \$ 4,861,561 | \$ 1,005,701 | \$ 2,500,087 | \$ 230,323 | \$ 856,460 | \$ 994,808 | \$ 40,310 | \$ 15,690,011 |

(2) Includes donated special event expenses of \$60,771.

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SECOND HARVEST FOOD BANK OF MIDDLE TENNESSEE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2007

| | PROGRAM SERVICES | | | | | SUPPORTING SERVICES | | | | |
|--|---------------------------------|---------------------|---------------------|-----------------------|---------------------|------------------------|-------------------|------------------|----------------------|--------|
| | PROJECT PRESERVE ^(b) | COMMUNITY | | | NASHVILLE'S TABLE | MANAGEMENT AND GENERAL | | | CAPITAL CAMPAIGN | TOTALS |
| | | EMERGENCY FOOD BOX | FOOD PARTNERS | CHILDREN'S PROGRAMS | | CULINARY ARTS | FUND RAISING | | | |
| Salaries and contract labor | \$ 335,952 | \$ 252,828 | \$ 439,224 | \$ 141,330 | \$ 190,614 | \$ 81,084 | \$ 405,932 | \$ - | \$ 2,360,699 | |
| Payroll taxes and benefits | 97,457 | 42,578 | 109,205 | 24,097 | 49,587 | 24,141 | 96,756 | - | 579,684 | |
| TOTAL SALARIES AND RELATED EXPENSES | 433,409 | 295,406 | 548,429 | 165,427 | 240,201 | 105,225 | 502,688 | - | 2,940,383 | |
| Occupancy | 31,970 | 53,351 | 91,854 | 14,937 | 25,853 | 18,290 | 12,696 | - | 312,874 | |
| Communication expense | 6,966 | 25,136 | 31,525 | 84,560 ⁽¹⁾ | 25,079 | 818 | 76,622 | 4 | 293,158 | |
| Food supplies and distribution | 12,982,996 | 476,604 | 372,467 | 284,693 | 9,933 | 52,018 | 2,407 | - | 14,201,503 | |
| Donated food | 674,978 | 2,633,607 | 4,329,037 | 222,629 | 2,127,788 | - | - | - | 9,988,039 | |
| Internal food purchases and/or reimbursement | - | 120 | - | - | 156 | (9,685) | 1,680 | - | - | |
| Product transportation | 894,433 | 38,574 | 101,088 | 12,734 | 41,988 | - | 41 | - | 1,089,124 | |
| Office and administration - Note 6 | 12,804 | 5,435 | 7,496 | 5,889 | 11,564 | 4,261 | 54,275 | - | 320,092 | |
| Travel and conferences | 20,009 | 1,212 | 2,428 | 2,336 | 1,390 | 6 | 4,890 | - | 84,680 | |
| Professional fees | 3,480 | 7,707 | 7,998 | 2,529 | 3,511 | - | 3,304 | 16,250 | 106,951 | |
| Other special event costs | - | - | - | - | - | - | 204,655 | - | 204,655 | |
| Insurance | 11,203 | 11,204 | 20,007 | 5,602 | 8,002 | 2,401 | 7,202 | 800 | 85,070 | |
| TOTAL EXPENSES BEFORE DEPRECIATION | 15,072,248 | 3,548,356 | 5,512,329 | 801,336 | 2,495,465 | 173,334 | 870,460 | 17,054 | 29,626,529 | |
| Depreciation and amortization | 66,664 | 84,014 | 170,415 | 22,775 | 30,244 | 33,245 | 15,521 | 5,969 | 448,419 | |
| TOTAL EXPENSES | 15,138,912 | 3,632,370 | 5,682,744 | 824,111 | 2,525,709 | 206,579 | 885,981 | 23,023 | 30,074,948 | |
| Less expenses included with revenues on the statement of activities: | | | | | | | | | | |
| Direct benefits to donors | - | - | - | - | - | - | (34,265) | - | (34,265) | |
| Direct costs and expenses of Project Preserve program | (15,138,912) | - | - | - | - | - | - | - | (15,138,912) | |
| TOTAL EXPENSES INCLUDED IN EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES | - | \$ 3,632,370 | \$ 5,682,744 | \$ 824,111 | \$ 2,525,709 | \$ 206,579 | \$ 851,716 | \$ 23,023 | \$ 14,901,771 | |

⁽¹⁾Includes \$66,000 donated radio advertising.

See accompanying notes to consolidated financial statements.

SECOND HARVEST FOOD BANK OF MIDDLE TENNESSEE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Second Harvest Food Bank of Middle Tennessee, Inc. (the "Food Bank") was founded in 1978. Its mission is to feed hungry people and work to solve hunger issues in the community. The Food Bank is one of 209 certified members of Feeding America (previously known as America's Second Harvest), the Nation's Food Bank Network.

In June 2005, the Food Bank's Board of Directors approved an agreement to create a wholly-owned subsidiary, into which Nashville's Table, Inc. (a Tennessee not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code) was merged effective July 1, 2005. Pursuant to Section 48-61-101, et seq., of the Tennessee Nonprofit Corporation Act, the Food Bank became the sole owner of Nashville's Table, Inc. Nashville's Table, Inc. retained its separate not-for-profit status, and has been included as part of the Food Bank's consolidated operations from that date forward. In December 2007, Nashville's Table, Inc. was legally dissolved. All operating activities previously run through Nashville's Table, Inc. are subsequently being reported as a separate program of the Food Bank.

Basis of presentation

The consolidated financial statements include the accounts of the Food Bank and Nashville's Table, Inc. (collectively, the "Agency") and have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Material intercompany accounts and transactions have been eliminated in consolidation.

Resources are classified as unrestricted, temporarily restricted or permanently restricted net assets, based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* are free of donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors' stipulations results in the release of the restriction.
- *Temporarily restricted net assets* are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose.
- *Permanently restricted net assets* are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations. The Agency had no permanently restricted net assets as of June 30, 2008 or 2007.

SECOND HARVEST FOOD BANK OF MIDDLE TENNESSEE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the Statement of Activities as net assets released from restrictions.

The Agency also receives grant revenue from various federal, state and local agencies, principally from the U.S. Department of Agriculture ("USDA"), U.S. Department of Housing and Urban Development and the United Way of Middle Tennessee. Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant.

The Agency reports any gifts of equipment or materials as unrestricted support unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used or funds restricted for the acquisition of long-lived assets are reported as restricted support. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

Cash and cash equivalents

The Agency considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist principally of checking account balances, as follows as of June 30:

| | <u>2008</u> | <u>2007</u> |
|------------------------|-------------------|-------------------|
| Operating funds | \$ 661,574 | \$ 175,048 |
| Capital campaign funds | <u>20,729</u> | <u>274,214</u> |
| | <u>\$ 682,303</u> | <u>\$ 449,262</u> |

SECOND HARVEST FOOD BANK OF MIDDLE TENNESSEE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to give

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using a risk-free interest rate applicable to the year in which the promise is received (not significant at June 30, 2008 or 2007). Amortization of the discount is recognized on the interest method over the term of the gift and included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

An allowance for uncollectible contributions is provided based on management's estimate of uncollectible pledges and historical trends. Pledges deemed to be uncollectible are charged off against the allowance in the period of determination.

Accounts receivable

The Agency sells food and supplies to other not-for-profit agencies under the Project Preserve[®] program. Accounts receivable are reported at gross sales price less any applicable payments or adjustments. The Agency extends trade credit based on evaluation of those agencies' financial condition and, generally, does not require collateral. The Agency does not charge interest on any past due accounts.

Accounts receivable are deemed to be fully collectible by management, and no allowance for bad debts is considered necessary at June 30, 2008 and 2007. Accounts determined to be uncollectible are recorded as bad debt expense in the period of determination.

Inventories

Food inventories include donated food, purchased inventory, and undistributed USDA commodities. Donated products utilized in the cook/chill operation, which include ingredients, fresh products, and other surplus commodities, are valued at \$0.50 per pound in 2008 and 2007, which is an estimated average cost for such products. All other donated food received from food drives, food companies, and Feeding America that is utilized in other operations is valued at \$1.49 per pound in 2008 (\$1.69 per pound in 2007), the estimated average market value at the date of gift, based on a study commissioned by the national office. Purchased inventory is reported at average cost. USDA inventory is valued at the most recent USDA established market value per pound amount, and is recognized as program services expense when distributed.

SECOND HARVEST FOOD BANK OF MIDDLE TENNESSEE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments consist of money market accounts, certificates of deposit, equity securities, U.S. Treasury notes and taxable bonds and are carried at their quoted market value on the last business day of the reporting period. Changes in unrealized gains and losses are recognized currently in the Statement of Activities.

Property and depreciation

Property and equipment are reported at cost at the date of purchase, or at estimated fair value at the date of gift to the Agency. The Agency's policy is to capitalize purchases with a cost of \$1,000 or more and an estimated useful life greater than one year. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets as follows: five to thirty nine years for building and improvements, two to fifteen years for equipment, three to five years for furniture and three to five years for transportation equipment.

Designated unrestricted net assets

The Board of Directors has designated \$300,000 of unrestricted net assets to be invested, with the income used to support current operations of the Agency. Designations may be reversed at the discretion of the Board of Directors.

Donated services

Donated services are recognized if the services (a) create or enhance non-financial assets; or (b) require specialized skills, are performed by people with those skills, and would have otherwise been purchased by the Agency. The Agency has recorded contributions for donated legal services based on the estimated fair value of those services.

A substantial number of unpaid volunteers have contributed their time to the Agency's program and supporting services. The value of this contributed time is not reflected in these statements since it does not meet the criteria noted above.

SECOND HARVEST FOOD BANK OF MIDDLE TENNESSEE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and supporting services - functional allocation

The following program and supporting services are included in the accompanying financial statements:

Program services - include activities carried out to fulfill the Agency's mission, resulting in services provided to feed the hungry in Middle and West Tennessee. Program services are the major purpose of the organization. The Agency distributes food to needy persons in forty-six Middle and West Tennessee counties through the following programs:

Project Preserve[®] - operates a unique program that distributes purchased product to local agencies and other Feeding America affiliates. In addition, the program has a cook/chill operation, which is a method of food manufacturing that involves heating food, pumping the product into form-fill plastic bags that are heat sealed, then super cooled for approximately 45 minutes prior to freezing the product. It has utilized large amounts of donated ingredients that would have otherwise been wasted. Over 372,000 meals (based on a 12-ounce portion) were distributed during 2008 (498,700 meals in 2007) under this program. The number of meals in 2007 included meals provided to Feeding America's Disaster Relief program.

Emergency Food Box - provided over 2,057,000 pounds of food during 2008 (2,031,000 pounds in 2007) in emergency staples to families in need through its fifteen satellite centers in Davidson County.

Community Food Partners - provided over 5,955,000 pounds of food during 2008 (4,197,000 pounds in 2007) to over 450 not-for-profit agencies, including soup kitchens, daycare centers and emergency food programs.

Children's Programs - includes Kids Café[®] and the Backpack Program. Kids Café[®] operates a weekly feeding program for children at risk of hunger at several area community centers and provided over 319,000 meals during 2008 (169,000 meals in 2007). The mission of the Backpack Program is to meet the needs of hungry children by providing them with nutritious and easy to prepare food to take home on weekends when other resources are not available. During 2008, the Agency distributed more than 37,800 backpacks to hungry children (16,800 backpacks in 2007).

SECOND HARVEST FOOD BANK OF MIDDLE TENNESSEE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program services (continued)

Nashville's Table - collects perishable food from more than 170 food donors, such as restaurants, grocery stores, cafeterias, retailers, wholesalers, bakeries, and caterers, which is then distributed to more than 140 nonprofit partner agencies such as low-income daycare centers, soup kitchens, domestic violence shelters, rehabilitation centers, and senior citizens' centers. During 2008, the Agency distributed over 1,326,000 pounds of food (equivalent to more than one million meals) under this program (1,250,700 pounds in 2007).

Culinary Arts Center - operates a state-of-the-art food preparation facility located at the Food Bank. The purpose of the Center is to educate the public on issues related to nutrition and food preparation. The Center is used for food handling safety classes, food product testing and demonstrations, nutrition training and catering for the Agency's partner agencies, supporters and clients.

Supporting services

Management and general - relates to the overall direction of the organization. These expenses are not identifiable with a particular program or with fund raising, but are indispensable to the conduct of those activities and are essential to the organization. Specific activities include organization oversight, business management, recordkeeping, budgeting, financing, and other administrative activities.

Fund raising - includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitations and creation and distribution of fund raising materials.

Capital campaign - includes the cost of solicitations in 2008 and 2007, for the capital campaign specifically related to the acquisition and construction of the Agency's new facility. The capital campaign was substantially completed in 2007.

Allocation of functional expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and non-financial data or reasonable subjective methods determined by management.

Income taxes

The Agency qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). Accordingly, income taxes are not provided.

SECOND HARVEST FOOD BANK OF MIDDLE TENNESSEE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of estimates in the preparation of financial statements

The preparation of 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 could differ from those estimates.

Reclassifications

Certain reclassifications have been made to prior year amounts in order to be comparative with the current year presentation. As a result, agency recovery fee revenue of \$1,055,072 in 2007 is now reported with Project Preserve® Program revenues, and related food supplies expense of \$829,581 was reclassified from the Community Food Partners program to the Project Preserve® program in the Statement of Functional Expenses. Additionally, shared maintenance revenue of \$600,975 is reported as Support and Revenues, which resulted in an increase to Community Food Partners food supplies expense in the same amount.

NOTE 2 - PLEDGES RECEIVABLE

Pledges receivable consisted of the following at June 30:

| | <u>2008</u> | <u>2007</u> |
|---|---------------------|---------------------|
| Due in less than one year | \$ 1,307,834 | \$ 1,709,989 |
| Due in one to five years | <u>25,000</u> | <u>-</u> |
| | 1,332,834 | 1,709,989 |
| Less: Allowance for uncollectible pledges | <u>(7,000)</u> | <u>(7,000)</u> |
| Present value of pledges receivable | <u>\$ 1,325,834</u> | <u>\$ 1,702,989</u> |

Pledges receivable are classified as follows at June 30:

| | <u>2008</u> | <u>2007</u> |
|--------------------------|---------------------|---------------------|
| Operating | \$ 467,814 | \$ 836,989 |
| Capital campaign pledges | <u>858,020</u> | <u>866,000</u> |
| | <u>\$ 1,325,834</u> | <u>\$ 1,702,989</u> |

SECOND HARVEST FOOD BANK OF MIDDLE TENNESSEE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 3 - INVENTORIES

Inventories consisted of the following at June 30:

| | <u>2008</u> | <u>2007</u> |
|--|--------------------|--------------------|
| Donated ingredients to be utilized in cook/chill operation | \$ 187,237 | \$ 270,685 |
| Other donated food inventory | 1,084,108 | 733,161 |
| USDA inventory | 63,767 | 26,384 |
| Cook/chill manufactured inventory | 63,311 | 63,823 |
| Purchased inventory | <u>1,486,737</u> | <u>1,031,047</u> |
| | <u>\$2,885,160</u> | <u>\$2,125,100</u> |

NOTE 4 - INVESTMENTS

Investments consisted of the following at June 30:

| | <u>2008</u> | | <u>2007</u> | |
|------------------------------|---------------------|---------------------|---------------------|---------------------|
| | <u>Market Value</u> | <u>Cost</u> | <u>Market Value</u> | <u>Cost</u> |
| Liquid money market funds | \$ 847,879 | \$ 847,879 | \$ 435,037 | \$ 435,037 |
| Certificates of deposit | 192,121 | 192,121 | 10,000 | 10,000 |
| Equity securities | 1,326,236 | 1,155,981 | 1,459,182 | 1,040,128 |
| United States Treasury notes | 70,430 | 70,800 | - | - |
| Corporate bonds | <u>36,407</u> | <u>36,207</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 2,473,073</u> | <u>\$ 2,302,988</u> | <u>\$ 1,904,219</u> | <u>\$ 1,485,165</u> |

Investment income (loss) consisted of the following for the years ended June 30:

| | <u>2008</u> | <u>2007</u> |
|--|--------------------|-------------------|
| Realized and unrealized (losses) gains - net | \$ (105,111) | \$ 257,827 |
| Dividends and interest income | <u>49,871</u> | <u>24,549</u> |
| | <u>\$ (55,240)</u> | <u>\$ 282,376</u> |

SECOND HARVEST FOOD BANK OF MIDDLE TENNESSEE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

| | <u>2008</u> | <u>2007</u> |
|--|---------------------|---------------------|
| Land | \$ 1,334,586 | \$ 1,334,586 |
| Building and improvements | 5,763,903 | 5,763,903 |
| Office and warehouse furniture and equipment | 1,298,389 | 1,321,552 |
| Transportation equipment | 990,773 | 818,745 |
| Cook/chill equipment | 492,996 | 478,693 |
| Culinary arts center equipment | 81,848 | 78,690 |
| Project Preserve equipment | 10,500 | 10,500 |
| | <u>9,972,995</u> | <u>9,806,669</u> |
| Less accumulated depreciation | <u>2,764,798</u> | <u>2,379,205</u> |
| | <u>\$ 7,208,197</u> | <u>\$ 7,427,464</u> |

Property and equipment included fully depreciated items with original costs totaling approximately \$1,332,000 at June 30, 2008 (\$806,000 at June 30, 2007.)

NOTE 6 - DEBT

Debt consisted of the following at June 30:

| | <u>2008</u> | <u>2007</u> |
|---|---------------------|---------------------|
| <u>Bonds payable</u> | | |
| \$6,500,000 Industrial Revenue Bonds, Series 2002, issued to finance construction of new facility. Mandatory sinking fund redemption on the bonds amounts to \$325,000 per annum. Bonds mature on June 1, 2022. Interest is payable monthly and is computed on weekly rate periods (ranging from 1.31% - 4.02% in 2008; 3.63% - 3.93% in 2007), not to exceed a maximum of 10%. Bonds are secured by a letter of credit issued by a local bank. | <u>\$ 1,000,000</u> | <u>\$ 1,655,000</u> |

The Agency has made additional principal payments on the bonds from the collection of capital campaign contributions.

SECOND HARVEST FOOD BANK OF MIDDLE TENNESSEE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 6 - DEBT (CONTINUED)

The Agency also has an unsecured \$800,000 operating line of credit with a financial institution. The line is evidenced by a promissory note which bears interest, payable monthly, on the amount borrowed at an interest rate equal to the bank's prime rate (5.0% at June 30, 2008). This line of credit matures on February 8, 2009. The outstanding balance under the line was \$470,000 at June 30, 2008 (\$0 at June 30, 2007).

Total interest expense incurred by the Agency was \$75,005 in 2008 and \$95,805 in 2007. Interest expense is included in office and administration.

NOTE 7 - LEASES

The Agency leases warehouse equipment under an operating lease agreement. The lease calls for monthly installments of \$364 through May 2011.

NOTE 8 - EMPLOYEE BENEFIT PLAN

The Agency sponsors a Section 403(b) defined contribution pension plan for the benefit of eligible employees. The plan provides for discretionary employee deferral contributions, as allowable under the IRC. In addition, the plan requires the Agency to contribute 5% of each participant's compensation, and to match 100% of employee deferral contributions up to 3% of their compensation. Total Agency contributions to the plan for the year ended June 30, 2008, amounted to \$124,005 (\$115,956 for 2007).

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of June 30:

| | <u>2008</u> | <u>2007</u> |
|--|---------------------|---------------------|
| United Way of Middle Tennessee - contribution pledge for the following period for program grants | \$ 271,435 | \$ 259,530 |
| Other contributions or pledges for following period not restricted to specific programs | 1,000 | 23,500 |
| Donation for staff position | - | 31,250 |
| Donations for Children's programs | 119,051 | 81,207 |
| Donations for Emergency Food Box program | 41,070 | 43,101 |
| Donations for Nashville's Table | 29,650 | 29,244 |
| Donations for Culinary Arts Center | 7,350 | 7,000 |
| Donations for Capital Campaign | 877,508 | 1,140,842 |
| | <u>\$ 1,347,064</u> | <u>\$ 1,615,674</u> |

SECOND HARVEST FOOD BANK OF MIDDLE TENNESSEE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 10 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Agency to concentrations of credit risk consist of cash, investments, and pledges receivable. Pledges receivable consist of individual and corporate contribution pledges. At June 30, 2008, contributions receivable from one source amounted to approximately \$850,000, or 64% of total pledges receivable (\$1,260,000 from two sources, or 74% of total pledges receivable in 2007). During 2007, the Agency received two contributions totaling \$1,658,326, or 37% of total contribution revenue (no contributions exceeded 10% of total contribution revenue in 2008).

During 2007, sales to one Project Preserve® customer amounted to approximately \$1,730,000 or 12% of total sales to out of area network agencies (no customers exceed 10% of sales in 2008).

The Agency maintains cash and certificates of deposit at various financial institutions which, at times, may exceed Federal Deposit Insurance Corporation (FDIC) insurance limits. At June 30, 2008, cash balances exceeded FDIC coverage by approximately \$825,000. Subsequent to year end, the Emergency Economic Stabilization Act of 2008 temporarily increased FDIC coverage from \$100,000 per depositor to \$250,000 per depositor, effective October 3, 2008 through December 31, 2009.

Investments are subject to market risk, the risk inherent in a fluctuating market. The broker/dealer that is the custodian of the Agency's securities is covered by the Securities Investor Protection Corporation (SIPC), which provides limited protection to investors. Coverage is limited to \$500,000, including up to \$100,000 in cash held for the purpose of securities transactions, and not for the purpose of earning interest. The investment company also has excess SIPC coverage provided through Customer Asset Protection Company, which covers the net equity of all cash and securities held by its customers. SIPC and excess SIPC insurance do not cover market risk.

NOTE 11 - RELATED PARTY TRANSACTIONS

During the year ended June 30, 2008, the Agency purchased goods and services from companies associated with members of the Board of Directors, as follows: approximately \$925 for purchased food products (\$8,700 in 2007), \$25,429 for other professional services (\$2,700 in 2007) and \$31,807 for equipment and maintenance (\$23,400 in 2007). In addition, one Board member donated legal services valued at approximately \$8,000 during 2008 (\$8,700 in 2007).

SECOND HARVEST FOOD BANK OF MIDDLE TENNESSEE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 12- CLASS ACTION LAWSUIT SETTLEMENT

During 2008, Feeding America was named an indirect beneficiary of a \$25.7 million class action lawsuit brought on behalf of indirect purchasers of MSG, nucleotides or products containing MSG or nucleotides. Feeding America is responsible for administering these funds to benefit certain states included in the lawsuit. The Agency was allocated a one-time \$466,257 distribution from this settlement, based on certain criteria. This amount was reported as revenue in 2008.

NOTE 13 - NEW PRONOUNCEMENTS

In July 2006, the Financial Accounting Standards Board (FASB) issued Financial Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109*, which is effective for fiscal years beginning after December 15, 2007. FIN 48 provides guidance regarding the recognition, measurement, presentation and disclosure in the financial statements of tax positions taken or expected to be taken on a tax return, including the decision whether to file in a particular jurisdiction. The cumulative effect of changes arising from the initial application of FIN 48 is required to be reported as an adjustment to the opening balance of net assets in the period of adoption.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 (FAS-157), *Fair Value Measurements*. FAS-157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of FAS-157 are effective for fiscal years beginning after November 15, 2007.

In February, 2007, the FASB issued Statement of Financial Accounting Standards No. 159 (FAS-159), *The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115*. The fair value option established by FAS-159 permits all entities to choose to measure eligible items at fair value at specified election dates. A business entity will report unrealized gains and losses on items for which the fair value option has been elected in operations at each subsequent reporting date. FAS-159 is effective for fiscal years beginning after November 15, 2007.

The Agency is currently evaluating the impact, if any, of the adoption of these pronouncements on the consolidated financial statements.

ADDITIONAL INFORMATION

SECOND HARVEST FOOD BANK OF MIDDLE TENNESSEE, INC. AND SUBSIDIARY

CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2008

| | FEDERAL CFDA NUMBER | GRANTOR'S NUMBER | GRANT PERIOD | GRANT AMOUNT | (ACCRUED) DEFERRED REVENUE 7/1/2007 | (ACCRUED) DEFERRED REVENUE 6/30/08 | |
|---|---------------------------|--------------------------------------|--|-----------------|--|---|--------------|
| | | | | | | 7/1/07 - 6/30/08 RECEIPTS | EXPENDITURES |
| U. S. DEPARTMENT OF AGRICULTURE | | | | | | | |
| Passed Through Tennessee Department of Human Services: | | | | | | | |
| | 10.559 | DA-0700143 | 05/01/07 - 09/30/07 | * | \$ (12,124) | \$ 29,715 | \$ 17,591 |
| | 10.559 | DA-0821473 | 05/01/08 - 09/30/08 | * | - | 12,615 | 27,120 |
| Passed Through Tennessee Department of Agriculture: | | | | | | | |
| | 10.568 (1) | GA-07-18375-01 | 10/1/06 - 9/30/07 | \$ 59,898 | (3,949) | 20,244 | 16,295 |
| | 10.568 (1) | GR-08-22718-00 | 10/1/07 - 9/30/08 | \$ 56,902 | - | 36,757 | 40,252 |
| | 10.569 (1) | GA-07-18375-01 and GR-08-22718-00 | 10/1/06 - 9/30/07 and 10/1/07 - 9/30/08 | * | 26,384 | 412,990 | 375,607 |
| TOTAL U.S. DEPT OF AGRICULTURE | | | | | 10,311 | 512,321 | 476,865 |
| U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | | | | |
| | 14.246 | B-06-SP-TN-0970 | 11/30/05 - 11/29/10 | \$ 396,000 | - | 34,031 | 34,031 |
| | 14.246 | B-06-SP-TN 0964 | 11/30/05 - 11/29/10 | \$ 148,500 | - | 36,499 | 36,499 |
| | 14.246 | B-06-SP-TN-0963 | 11/30/05 - 11/29/10 | \$ 148,500 | (9,040) | 13,276 | 4,236 |
| TOTAL U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | | (9,040) | 83,806 | 74,766 |
| DEPARTMENT OF HOMELAND SECURITY | | | | | | | |
| Passed Through United Way of Middle Tennessee: | | | | | | | |
| | 97.024 | 26-7652-00 | 10/1/07 - 9/30/08 | \$ 54,506 | - | 49,712 | 22,330 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | | | \$ 1,271 | \$ 645,839 | \$ 573,961 |
| | | | | | | | \$ 73,149 |

* Not specified.

(1) Denotes a major program

BASIS OF PRESENTATION

This schedule includes the federal grant activity of Second Harvest Food Bank of Middle Tennessee, Inc. and Subsidiary, 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*.