

*SECOND HARVEST FOOD BANK  
OF METROLINA, INC.*

*FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014*

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# ***Second Harvest Food Bank of Metrolina, Inc.***

## **Table of Contents**

**June 30, 2015**

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### **Page**

#### **FINANCIAL SECTION**

Independent Auditors' Report .....	1-2
Audited Financial Statements:	
Statements of Financial Position .....	3
Statements of Activities .....	4-5
Statements of Cash Flows.....	6
Statements of Functional Expenses .....	7-8
Notes to Financial Statements .....	9-16

#### **COMPLIANCE SECTION**

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	17-18
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance in required by OMB Circular A-133.....	19-20
Report on Compliance with Requirements Applicable to Each Major State Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act.....	21-22
Schedule of Findings and Questioned Costs .....	23-24
Schedule of Federal and State Awards Expended.....	25

# ***C. DEWITT FOARD & COMPANY, P.A.***

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Second Harvest Food Bank of Metrolina, Inc.  
Charlotte, North Carolina

We have audited the accompanying financial statements of Second Harvest Food Bank of Metrolina, Inc., (the "Food Bank" - a nonprofit corporation), which comprise the statement of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility-*

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

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

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

Second Harvest Food Bank of Metrolina, Inc.  
Charlotte, North Carolina

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Second Harvest Food Bank of Metrolina, Inc., as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2015, on our consideration of the Food Bank's internal control over financial reporting and on our tests of its 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Food Bank's internal control over financial reporting and compliance.

C. Dewitt Ford & Company, P.A.

September 28, 2015

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**Second Harvest Food Bank of Metrolina, Inc.****Statements of Financial Position****June 30, 2015 and 2014**

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	June 30,	
	2015	2014
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and cash equivalents	\$ 4,868,084	\$ 4,555,463
Accounts receivable	87,914	45,472
Prepaid expenses	126,670	210,469
Inventories	538,288	678,767
Pledges receivable, net	824,046	-
Investments	1,263,008	1,261,371
<b><i>Total Current Assets</i></b>	<b><i>7,708,010</i></b>	<b><i>6,751,542</i></b>
<b><i>Property and Equipment, net</i></b>	<b><i>1,353,308</i></b>	<b><i>1,127,300</i></b>
Other Long-Term Assets:		
Pledges receivable, net of current portion	3,061,539	-
Beneficial interest in assets held by others	45,523	45,071
<b><i>Total Other Long-Term Assets</i></b>	<b><i>3,107,062</i></b>	<b><i>45,071</i></b>
<b><i>TOTAL ASSETS</i></b>	<b><i>\$ 12,168,380</i></b>	<b><i>\$ 7,923,913</i></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current Liabilities:		
Accounts payable	\$ 246,526	\$ 157,590
Accrued expenses	100,638	77,506
<b><i>Total Current Liabilities</i></b>	<b><i>347,164</i></b>	<b><i>235,096</i></b>
Net Assets:		
Unrestricted:		
Designated	892,158	973,503
Undesignated	3,977,464	4,192,474
<b><i>Total Unrestricted</i></b>	<b><i>4,869,622</i></b>	<b><i>5,165,977</i></b>
Temporarily restricted	6,910,941	2,484,165
Permanently restricted	40,653	38,675
<b><i>Total Net Assets</i></b>	<b><i>11,821,216</i></b>	<b><i>7,688,817</i></b>
<b><i>TOTAL LIABILITIES AND NET ASSETS</i></b>	<b><i>\$ 12,168,380</i></b>	<b><i>\$ 7,923,913</i></b>

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**Second Harvest Food Bank of Metrolina, Inc.****Statement of Activities****Year Ended June 30, 2015**

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>TOTALS</u>
<b><u>SUPPORT AND REVENUE</u></b>				
Value of inventory received	\$ 71,621,863	\$ -	\$ -	\$ 71,621,863
Shared maintenance and fees	907,694	-	-	907,694
Contributions and grants	3,115,317	5,791,993	-	8,907,310
Governmental revenue	466,574	425,000	-	891,574
Special events	1,442,488	-	-	1,442,488
Donated facilities	72,000	-	-	72,000
Investment earnings	3,025	-	1,978	5,003
Miscellaneous revenue	2,335	-	-	2,335
Net assets released from restrictions by payment	1,790,217	(1,790,217)	-	-
<b><i>Total Support, Revenue, and Reclassifications</i></b>	<b>79,421,513</b>	<b>4,426,776</b>	<b>1,978</b>	<b>83,850,267</b>
<b><u>EXPENSES</u></b>				
Program services:				
Distributed food and goods	72,170,576	-	-	72,170,576
All other	5,658,674	-	-	5,658,674
Management and general	565,100	-	-	565,100
Fund raising	1,323,518	-	-	1,323,518
<b><i>Total Expenses</i></b>	<b>79,717,868</b>	<b>-</b>	<b>-</b>	<b>79,717,868</b>
<b><i>CHANGE IN NET ASSETS</i></b>	<b>(296,355)</b>	<b>4,426,776</b>	<b>1,978</b>	<b>4,132,399</b>
<b><i>NET ASSETS, BEGINNING</i></b>	<b>5,165,977</b>	<b>2,484,165</b>	<b>38,675</b>	<b>7,688,817</b>
<b><i>NET ASSETS, ENDING</i></b>	<b>\$ 4,869,622</b>	<b>\$ 6,910,941</b>	<b>\$ 40,653</b>	<b>\$ 11,821,216</b>

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**Second Harvest Food Bank of Metrolina, Inc.****Statement of Activities****Year Ended June 30, 2014**

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>TOTALS</u>
<b><u>SUPPORT AND REVENUE</u></b>				
Value of inventory received	\$ 71,971,565	\$ -	\$ -	\$ 71,971,565
Shared maintenance and fees	955,479	-	-	955,479
Contributions and grants	3,075,099	1,676,762	-	4,751,861
Governmental revenue	310,935	450,001	-	760,936
Special events	1,232,904	-	-	1,232,904
Donated facilities	72,000	-	-	72,000
Investment earnings	5,040	4,716	1,682	11,438
Miscellaneous revenue	6,051	-	-	6,051
Net assets released from restrictions	1,496,153	(1,496,153)	-	-
<b><i>Total Support, Revenue, and Reclassifications</i></b>	<b><i>79,125,226</i></b>	<b><i>635,326</i></b>	<b><i>1,682</i></b>	<b><i>79,762,234</i></b>
<b><u>EXPENSES</u></b>				
Program services:				
Distributed food and goods	72,378,130	-	-	72,378,130
All other	5,246,572	-	-	5,246,572
Management and general	585,515	-	-	585,515
Fund raising	1,362,893	-	-	1,362,893
<b><i>Total Expenses</i></b>	<b><i>79,573,110</i></b>	<b><i>-</i></b>	<b><i>-</i></b>	<b><i>79,573,110</i></b>
<b><i>CHANGE IN NET ASSETS</i></b>	<b><i>(447,884)</i></b>	<b><i>635,326</i></b>	<b><i>1,682</i></b>	<b><i>189,124</i></b>
<b><i>NET ASSETS, BEGINNING</i></b>	<b><i>5,613,861</i></b>	<b><i>1,848,839</i></b>	<b><i>36,993</i></b>	<b><i>7,499,693</i></b>
<b><i>NET ASSETS, ENDING</i></b>	<b><i>\$ 5,165,977</i></b>	<b><i>\$ 2,484,165</i></b>	<b><i>\$ 38,675</i></b>	<b><i>\$ 7,688,817</i></b>

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**Second Harvest Food Bank of Metrolina, Inc.****Statements of Cash Flows****Year Ended June 30, 2015 and 2014**

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	June 30,	
	2015	2014
<b><u>OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 4,132,399	\$ 189,124
Adjustments to reconcile changes in net assets to cash flows from operating activities:		
Depreciation expense	462,778	440,568
Contributions for long-term purposes	(4,139,208)	(459,778)
Unrealized gains on investments	(99)	(6,369)
(Increase) decrease in operating assets:		
Accounts receivable	(42,442)	11,556
Prepaid expenses	83,799	(76,566)
Inventories	140,479	406,565
Increase (decrease) in operating liabilities:		
Accounts payable	88,936	(102,449)
Accrued expenses	23,132	8,063
<b><i>Cash Flows from Operating Activities</i></b>	<b><i>749,774</i></b>	<b><i>410,714</i></b>
<b><u>INVESTING ACTIVITIES</u></b>		
Purchase of property and equipment	(688,786)	(83,125)
Proceeds from sale of investments	173,494	460
Purchase of investments	(175,484)	(3,869)
<b><i>Cash Flows from Investing Activities</i></b>	<b><i>(690,776)</i></b>	<b><i>(86,534)</i></b>
<b><u>FINANCING ACTIVITIES</u></b>		
Contributions for long-term purposes	4,139,208	459,778
Increase in pledges receivable	(3,885,585)	-
Principal paid on note payable	-	(147,297)
<b><i>Cash Flows from Financing Activities</i></b>	<b><i>253,623</i></b>	<b><i>312,481</i></b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>312,621</b>	<b>636,661</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<b>4,555,463</b>	<b>3,918,802</b>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<b>\$ 4,868,084</b>	<b>\$ 4,555,463</b>



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**Second Harvest Food Bank of Metrolina, Inc.****Statement of Functional Expenses****Year Ended June 30, 2015**

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	Program Services		Management	Fund	
	Donated Inventory	All Other	and General	Raising	Totals
<b><u>PERSONNEL</u></b>					
Salaries and wages	\$ -	\$ 1,475,452	\$ 305,117	\$ 288,777	\$ 2,069,346
Payroll taxes	-	110,128	24,434	22,163	156,725
Employee benefits	-	345,482	85,261	73,261	504,004
<b><i>Total Personnel</i></b>	<b>-</b>	<b>1,931,062</b>	<b>414,812</b>	<b>384,201</b>	<b>2,730,075</b>
<b><u>OTHER EXPENSES</u></b>					
Food and household goods distributed	72,170,576	1,742,762	-	-	73,913,338
Kids Café, other programs	-	104,800	-	-	104,800
Professional fees	-	58,729	60,397	29,499	148,625
Supplies	-	66,355	7,753	6,564	80,672
Occupancy	-	305,465	8,706	4,353	318,524
Telephone	-	30,260	7,565	6,877	44,702
Transportation and freight	-	848,115	-	-	848,115
Printing and postage	-	10,950	10,884	48,644	70,478
Direct mail	-	49,658	-	446,924	496,582
Repairs and maintenance	-	7,501	19,958	-	27,459
Insurance	-	15,523	661	330	16,514
Public relations, marketing	-	-	-	385,715	385,715
Travel and conferences	-	19,705	2,425	5,681	27,811
Dues and subscriptions	-	14,944	26,736	-	41,680
Depreciation	-	452,845	5,203	4,730	462,778
<b><i>Total Other Expenses</i></b>	<b>72,170,576</b>	<b>3,727,612</b>	<b>150,288</b>	<b>939,317</b>	<b>76,987,793</b>
<b><i>TOTAL EXPENSES</i></b>	<b>\$ 72,170,576</b>	<b>\$ 5,658,674</b>	<b>\$ 565,100</b>	<b>\$ 1,323,518</b>	<b>\$ 79,717,868</b>

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**Second Harvest Food Bank of Metrolina, Inc.****Statement of Functional Expenses****Year Ended June 30, 2014**

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	Program Services		Management	Fund	
	Donated Inventory	All Other	and General	Raising	Totals
<b><u>PERSONNEL</u></b>					
Salaries and wages	\$ -	\$ 1,318,249	\$ 342,721	\$ 299,110	\$ 1,960,080
Payroll taxes	-	85,660	25,173	24,328	135,161
Employee benefits	-	250,543	76,590	74,270	401,403
<b><i>Total Personnel</i></b>	<b>-</b>	<b>1,654,452</b>	<b>444,484</b>	<b>397,708</b>	<b>2,496,644</b>
<b><u>OTHER EXPENSES</u></b>					
Food and household goods distributed	72,378,130	1,744,021	-	-	74,122,151
Kids Café, other programs	-	107,860	-	-	107,860
Professional fees	-	70,770	59,993	33,884	164,647
Supplies	-	44,511	3,544	2,694	50,749
Occupancy	-	256,777	7,375	3,688	267,840
Telephone	-	27,068	6,767	6,152	39,987
Transportation and freight	-	814,361	-	-	814,361
Printing and postage	-	4,974	5,419	48,213	58,606
Direct mail	-	49,741	-	447,673	497,414
Repairs and maintenance	-	990	19,958	4,955	25,903
Insurance	-	15,018	639	320	15,977
Public relations, marketing	-	-	-	406,013	406,013
Travel and conferences	-	9,672	2,656	4,371	16,699
Dues and subscriptions	-	20,955	26,736	-	47,691
Depreciation	-	425,402	7,944	7,222	440,568
<b><i>Total Other Expenses</i></b>	<b>72,378,130</b>	<b>3,592,120</b>	<b>141,031</b>	<b>965,185</b>	<b>77,076,466</b>
<b>TOTAL EXPENSES</b>	<b>\$ 72,378,130</b>	<b>\$ 5,246,572</b>	<b>\$ 585,515</b>	<b>\$ 1,362,893</b>	<b>\$ 79,573,110</b>

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## ***Second Harvest Food Bank of Metrolina, Inc.***

### **Notes to Financial Statements**

**June 30, 2015 and 2014**

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#### **NOTE 1 - NATURE OF OPERATIONS**

##### *Organization*

Second Harvest Food Bank of Metrolina, Inc. (the “Food Bank”) is a not-for-profit organization established for the purpose of feeding people by soliciting and distributing food and other household products through partner agencies and educating the community about the nature of and solutions to problems of hunger. The Food Bank also operates Community Food Rescue, the purpose of which is to organize volunteers to gather food which would otherwise be wasted, and transport it to shelters and community centers where it can be used to feed the hungry. The Food Bank was founded in 1981 as a project of the Charlotte Area Fund and became autonomous in January 1983. Its area of operation is Mecklenburg County, North Carolina and eighteen surrounding counties.

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### *Basis of presentation*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Unrestricted net assets* – Net assets can be both undesignated and designated in nature. Undesignated, unrestricted net assets are those currently available for use in the day-to-day operation of the Food Bank and those resources invested in property and equipment. From time to time, the Board of Directors may designate certain amounts to be utilized or invested to meet specific objectives of the Food Bank. Such amounts are reflected as unrestricted, designated net assets.

*Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Food Bank and/or the passage of time. When a restriction expires, that is when the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Food Bank. Generally, the donors of these assets permit the Food Bank to use all or part of the income earned on any related investments for general or specific purposes.

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## ***Second Harvest Food Bank of Metrolina, Inc.***

### **Notes to Financial Statements**

**June 30, 2015 and 2014**

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#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

##### *Contributions*

The Food Bank reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction no longer applies, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

##### *Donated services*

Donated services are reported as contributions when the services (a) create or enhance nonfinancial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills, and are provided by individuals possessing those skills. During the year, the Food Bank recorded no contributed services.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Food Bank with specific assistance programs and various assignments. A number of unpaid volunteers, who serve in the capacity of Board members and various volunteer assistants, donated approximately 155,141 and 133,180 hours (an increase of 16 percent) during the years ended June 30, 2015 and 2014, to assist the Food Bank in achieving the goals of its programs. The value of this contributed time is not reflected in these financial statements since it does not meet the above recognition criteria.

##### *Income tax status*

The Food Bank is exempt from Federal income tax under Internal Revenue Code Section 501(c)(3) with respect to its exempt function income. The Food Bank is not a private foundation as defined by Section 509(a) of the Internal Revenue Code.

##### *Cash and cash equivalents*

Cash and cash equivalents consists of cash on hand and cash in checking accounts. The Food Bank considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, except for those short-term investments managed as part of investment management strategies.

##### *Investments*

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued in the statement of financial position at their fair value.

##### *Accounts receivable*

Accounts receivable consist primarily of trade receivables and are stated at net realizable value, net of an estimated allowance for doubtful accounts of \$3,000 as of June 30, 2015 and 2014. Management has determined the allowance for doubtful accounts based on a review of individual accounts, historical experience, and current economic conditions.

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## ***Second Harvest Food Bank of Metrolina, Inc.***

### **Notes to Financial Statements**

**June 30, 2015 and 2014**

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#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

##### ***Property and equipment***

Property and equipment is stated at cost if purchased or estimated fair value at date of receipt if donated subject to a \$1,000 capitalization policy. Costs that improve or extend the useful lives of assets are capitalized. Amounts paid for maintenance and repairs are expensed as incurred. Depreciation is provided over the estimated useful lives of the assets and is computed on the straight-line method with no salvage values.

##### ***Inventories***

Inventories represent donated and purchased food and other household products. Portions of donated product are discarded as unusable and recorded as an expense in the value of inventory distributed or discarded. Purchased inventory is valued at cost. Inventories are determined by the first-in, first-out method. Donated inventory is valued at the approximate average wholesale value of one pound of donated product at the national level as outlined in the Product Valuation Survey Methodology, prepared by Feeding America, the national food bank network non-profit corporation, or from estimated values provided by State or local agencies, as applicable. The value per pound of inventory as determined by Feeding America for the years ended June 30, 2015 and 2014 was \$1.70 and \$1.72, respectively. The average per pound valuation of food provided by governmental agencies during the year ended June 30, 2015 and 2014 was \$.70 and \$.80, respectively. During the years ended June 30, 2015 and 2014, the pounds of food and household products distributed were 46,397,466 and 45,840,420, which represents an increase of one percent.

##### ***Beneficial interest***

The Food Bank has established the Second Harvest Food Bank of Metrolina Endowment Fund (the Endowment Fund) at Foundation for the Carolinas (the Foundation). These assets and the related investment income are included in the accompanying financial statements. The Food Bank may request distributions of investment income from the Endowment Fund. The Board of Directors of the Foundation has complete discretion as to the timing and amounts of distributions from these funds; however, all funds are ultimately repayable to the Food Bank and the Foundation has no variance power to distribute any portion of these funds to another not-for-profit entity. During the year, the Food Bank received no distributions from this fund.

##### ***Functional allocation of expenses***

Expenses are allocated to program services, management and general, and fund raising based on management's estimates of time spent and various allocation methods appropriate to the type of expense.

##### ***Use of estimates***

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 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.

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**Second Harvest Food Bank of Metrolina, Inc.****Notes to Financial Statements****June 30, 2015 and 2014**

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**NOTE 3 - INVESTMENTS AND INVESTMENT INCOME**

The fair value of investments at June 30, 2015, is as follows:

	<u>2015</u>	<u>2014</u>
Certificates of deposit, various dates of maturity	\$ 1,263,008	\$ 1,261,371
Beneficial Interest in Assets Held by Others:		
Moderate Growth Pool	45,523	45,071
<b>TOTAL</b>	<b>\$ 1,308,531</b>	<b>\$ 1,306,442</b>

Investment income

The \$5,003 of investment income for the year ended June 30, 2015, consisted of \$4,904 of interest and dividends and \$99 of realized and unrealized capital gains. The \$11,438 of investment income for the year ended June 30, 2014, consisted of \$5,069 of interest and dividends and \$6,369 of realized and unrealized capital losses.

Fair value measurements

Generally accepted accounting principles require fair value of financial instruments to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. It establishes a three-level valuation hierarchy based upon observable and unobservable inputs, as follows:

Level 1 - Fair value is based on quoted prices in active markets for identical assets or liabilities.

Level 2 - Fair value is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Fair value is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Food Bank's certificates of deposit are classified as Level 2 and the beneficial interest is classified as Level 3. The certificates of deposit are valued at cost plus accrued interest. The Level 3 assets are valued based on the fair value of the underlying securities, which are generally publicly-traded. The following table sets forth a summary of changes in the fair value of the Food Bank's Level 3 assets for the year ended June 30, 2015.

Balance, beginning of year	\$	45,071
Net increase in value		99
Purchases		847
Sales		(494)
<b>Balance, end of year</b>	<b>\$</b>	<b>45,523</b>

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**Second Harvest Food Bank of Metrolina, Inc.****Notes to Financial Statements****June 30, 2015 and 2014**

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**NOTE 4 – PLEDGES***Capital campaign*

During the 2015 fiscal year, the Food Bank began accepting pledges for a capital campaign, the proceeds of which will be used to construct an additional facility and other improvements. Unconditional promises to give for the capital campaign are presented net of an estimated allowance for doubtful accounts of five percent of campaign funds raised. The estimate is based on management's review of the individual pledges and its assessment of general economic conditions. A discount for present value, computed utilizing an interest rate of 1% was recorded on the financial statements. 62% of gross pledges receivable are due from three donors, which represents a significant concentration of risk. These pledges are expected to be collected during the fiscal year ending June 30:

2016		\$	877,500
2017			661,667
2018			590,000
2019			565,000
2020			372,500
Thereafter			1,190,578
Total Promises to Give			4,257,245
Deduct:			
Allowance for bad debt	\$	234,533	
Present value discount		137,127	371,660
<b>NET CAPITAL CAMPAIGN PLEDGES</b>		\$	<b>3,885,585</b>

The \$3,885,585 of net pledges receivable in the accompanying financial statements are classified as current of \$824,046 and long-term of \$3,061,539.

**NOTE 5 - FIXED ASSETS**

Fixed assets consist of the following at June 30,

	<u>2015</u>	<u>2014</u>
Buildings and improvements	\$ 2,351,264	\$ 2,006,850
Vehicles	2,107,536	1,901,341
Furniture, fixtures and equipment	1,326,145	1,194,009
Total	5,784,945	5,102,200
Less – accumulated depreciation and amortization	4,431,637	3,974,900
<b>TOTAL</b>	<b>\$ 1,353,308</b>	<b>\$ 1,127,300</b>

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## ***Second Harvest Food Bank of Metrolina, Inc.***

### **Notes to Financial Statements**

**June 30, 2015 and 2014**

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#### **NOTE 6 - NET ASSETS**

##### *Designated*

Designated net assets, which are included in cash and cash equivalents on the statement of financial position, have been set aside by the Board of Directors for capital improvements.

##### *Temporarily restricted*

Temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Backpacks	\$ 566,489	\$ 579,391
Food purchases	1,295,782	1,064,169
Senior boxes	50,215	77,572
Gift cards	101,745	134,894
Kid's Café and children's programs	143,797	130,250
Capital campaign	4,490,986	351,778
Other capital needs	242,057	139,714
All other funds	19,870	6,397
<b>TOTAL</b>	<b>\$ 6,910,941</b>	<b>\$ 2,484,165</b>

Temporarily net assets consist of:

	<u>2015</u>	<u>2014</u>
Cash	\$ 2,923,611	\$ 2,349,271
Pledges receivable	3,885,585	-
Gift cards	101,745	134,894
<b>TOTAL</b>	<b>\$ 6,910,941</b>	<b>\$ 2,484,165</b>

##### *Permanently restricted*

Permanently restricted net assets consist of the principal portion of the beneficial interest in assets held for others, which was \$40,653 and \$38,675 at June 30, 2015 and 2014, respectively.

#### **NOTE 7 - DONATED FACILITIES**

The Food Bank occupies its warehouse facility under a lease with Mecklenburg County for an initial sum of one-dollar covering the entire term of the lease. The lease is terminable by either party upon written notice. Mecklenburg County also pays 50 percent of the utilities of the facility. The estimated fair value of the free rent and maintenance service, as determined by Mecklenburg County, for the years ended June 30, 2015 and 2014 was \$72,000. This amount has been recorded in the accompanying financial statements as both a contribution received and as occupancy expense.



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## ***Second Harvest Food Bank of Metrolina, Inc.***

### **Notes to Financial Statements**

**June 30, 2015 and 2014**

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#### **NOTE 8 - RETIREMENT PLAN**

The Food Bank has in place a 403(b) plan under which employees can make pretax contributions to the plan. The Food Bank makes no contributions on behalf of its employees under this plan. Additionally, the Food Bank has in place a defined contribution plan. Under this plan, employees make no contributions and the Food Bank's contributions are discretionary. For fiscal years ended June 30, 2015 and 2014, the Food Bank's contributions were six percent of eligible participants' salaries, which amounted to \$73,618 and \$73,369, respectively. In addition, the Food Bank has established a supplemental retirement plan, which covers employees on a discriminatory basis. During the years ended June 30, 2015 and 2014, the Food Bank's executive director was the only employee covered by the supplemental retirement plan and contributions on her behalf were \$11,651 and \$9,672 respectively.

#### **NOTE 9 - LEASES**

##### Operating leases

The Food Bank leases warehouse space and office equipment under operating lease agreements. Lease expense for the year ended June 30, 2015 was \$35,979. Future minimum payments due under operating lease agreements were as follows:

Year Ending June 30:	
2016	\$ 31,037
2017	24,929
2018	24,929
2019	24,929
2020	8,310
<b>TOTAL</b>	<b>\$ 114,134</b>

#### **NOTE 10 - BUSINESS RISKS AND CREDIT CONCENTRATIONS**

##### Concentrations

Second Harvest Food Bank of Metrolina, Inc. relies on continued support from its area contributors, volunteers, grantors, and member organizations to maintain its operations. Significant declines in funding from these sources could have a potentially adverse impact on operations of the Food Bank.

##### Cash in excess of insured limits

Cash and certificates of deposit held in bank accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The total cash and certificates of deposit held by the Food Bank at June 30, 2015, includes \$4,954,673 in excess of insured limits covered by FDIC.

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***Second Harvest Food Bank of Metrolina, Inc.***

**Notes to Financial Statements**

**June 30, 2015 and 2014**

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**NOTE 10 - BUSINESS RISKS AND CREDIT CONCENTRATIONS, continued**

*Government grants*

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Food Bank for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

*Geographic area*

The Food Bank operates in a limited geographic area, and is therefore sensitive to changes in the local economy.

**NOTE 11 - SUBSEQUENT EVENTS**

The Food Bank has evaluated subsequent events from the date of the statement of financial position through the date of the audit report, which is the date the financial statements were available to be issued. During this period, no material recognizable subsequent events were identified.

# ***C. DEWITT FOARD & COMPANY, P.A.***

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TERRY W. LANCASTER

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

To the Board of Directors of  
Second Harvest Food Bank of Metrolina, Inc.  
Charlotte, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Second Harvest Food Bank of Metrolina, Inc. (the "Food Bank", a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 28, 2015.

### Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Food Bank's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

*C. DeWitt Ford & Company, P.A.*

September 28, 2015

# ***C. DEWITT FOARD & COMPANY, P.A.***

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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors of  
Second Harvest Food Bank of Metrolina, Inc.  
Charlotte, North Carolina

### Report on Compliance for Each Major Federal Program

We have audited Second Harvest Food Bank of Metrolina, Inc.'s (the "Food Bank", a nonprofit organization) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on the Food Bank's major federal program for the year ended June 30, 2015. The Food Bank's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

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

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Food Bank's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 on compliance for the major federal program. However, our audit does not provide a legal determination on the Food Bank's compliance.

### Opinion on Each Major Federal Program

In our opinion, the Food Bank complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Food Bank is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Food Bank's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Food Bank's internal control over compliance.

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

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

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

*C. DeWitt Ford & Company, P.A.*

September 28, 2015

# C. DEWITT FOARD & COMPANY, P.A.

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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

To the Board of Directors of  
Second Harvest Food Bank of Metrolina, Inc.  
Charlotte, North Carolina

### Report on Compliance for Each Major State Program

We have audited the compliance of Second Harvest Food Bank of Metrolina, Inc. (the “Food Bank”), with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on its major State program for the year ended June 30, 2015. The Food Bank’s major State program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

### Management’s Responsibility

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

### Auditors’ Responsibility

Our responsibility is to express an opinion on compliance for each of the Food Bank’s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act 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 State program occurred. An audit includes examining, on a test basis, evidence about the entity’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination on the Food Bank’s compliance with those requirements.

To the Board of Directors of  
Second Harvest Food Bank of Metrolina, Inc.  
Charlotte, North Carolina

#### Opinion on Each Major State Program

In our opinion, the Food Bank complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major State program for the year ended June 30, 2015.

#### Report on Internal Control Over Compliance

The management of the Food Bank is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Food Bank's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine our auditing procedures for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Food Bank's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a State program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program that is more than inconsequential will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

*C. Dewitt Ford & Company, P.A.*

September 28, 2015



***Second Harvest Food Bank of Metrolina, Inc.***  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**

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**SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_yes      X no
- Significant deficiency(s) identified that are not considered to be material weaknesses \_\_\_yes      X no

Noncompliance material to financial statements noted? \_\_\_yes      X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_yes      X no
- Significant deficiency(s) identified that are not considered to be material weaknesses \_\_\_yes      X no

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_yes      X no

Identification of Major Programs

Federal Programs -

<u>CFDA Number</u>	<u>Name of Program or Cluster</u>
10.568	Emergency Food Assistance Program
10.569	Emergency Food Assistance Program
93.667	Social Services Block Grant

State Programs -

North Carolina Department of Health and Human Services	Social Services Block Grant
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Dollar threshold used to distinguish between Type A and Type B Programs \$300,000

Auditee qualified as low-risk auditee? X yes      \_\_\_no

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***Second Harvest Food Bank of Metrolina, Inc.***  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**

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**FINDINGS – FINANCIAL STATEMENTS AUDIT**

None

**FINDINGS – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

**SUMMARY OF PRIOR YEAR FINDINGS AND CORRECTIVE ACTION PLAN**

None

***Second Harvest Food Bank of Metrolina, Inc.***  
**Schedule of Federal and State Awards Expended**  
**Year Ended June 30, 2015**

Agency	CFDA Number	Amount Received	Amount Expended
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
Emergency Food Assistance Cluster:			
Passed through the N.C. Department of Agriculture:			
Emergency Food Assistance Program (Administrative Funds)	10.568	\$ 327,134	\$ 313,474
Emergency Food Assistance Program (Food Commodities)	10.569	2,790,992	2,790,992
Passed through the S.C. Department of Social Services:			
Emergency Food Assistance Program (Administrative Funds)	10.568	139,440	139,440
Emergency Food Assistance Program (Food Commodities)	10.569	1,094,536	1,094,536
Total U.S. Department of Agriculture		<u>4,352,102</u>	<u>4,338,442</u>
<b><u>FEDERAL EMERGENCY MANAGEMENT ASSISTANCE</u></b>			
Passed through Mecklenburg County:			
Emergency Food and Shelter National Board Program	97.024	15,000	-
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, ADMINISTRATION FOR CHILDREN AND FAMILIES</u></b>			
Passed through N.C. Department of Health & Human Services:			
Social Services Block Grant	93.667	403,570	403,570
Total Federal Awards		<u>4,770,672</u>	<u>4,742,012</u>
<b><u>N.C. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</u></b>			
Social Services Block Grant		95,080	95,080
TOTAL FEDERAL AND STATE AWARDS		<u>\$ 4,865,752</u>	<u>\$ 4,837,092</u>