

**GOLDEN HARVEST FOOD BANK, INC.
AND AFFILIATE**

Combined Financial Statements

**For Years Ended
September 30, 2008 and 2007**

**GOLDEN HARVEST FOOD BANK, INC.
AND AFFILIATE**

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Report of Independent Auditors

To the Board of Directors
Golden Harvest Food Bank, Inc.
Augusta, Georgia

We have audited the accompanying combined statements of financial position of Golden Harvest Food Bank, Inc. and affiliate (the "Organization") as of September 30, 2008 and 2007, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these combined 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 audits to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and the 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2009, on our consideration of the Organization'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 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.

Cherry, Bekaert & Holland, L.L.P.

Augusta, Georgia
January 21, 2009

**GOLDEN HARVEST FOOD BANK, INC.
AND AFFILIATE**

Combined Statements of Financial Position

September 30, 2008 and 2007

ASSETS

	2008	2007
Current assets		
Cash and cash equivalents	\$ 135,608	\$ 233,547
Cash and cash equivalents - Food Forever Fund	282,158	321,487
Designated cash	5,379	83,365
Restricted cash	120,021	102,142
Accounts receivable	216,543	137,460
Prepaid expense	33,774	36,104
Inventory	1,243,612	1,278,508
Total current assets	2,037,095	2,192,613
Non-current assets		
Investments - Golden Harvest (Operating reserve)	67,917	86,455
Investments - Food Forever Fund	541,584	638,335
Property and equipment, net of accumulated depreciation	4,192,579	4,147,501
Total non-current assets	4,802,080	4,872,291
Total assets	\$ 6,839,175	\$ 7,064,904

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 110,823	\$ 114,075
Accrued payroll liabilities	133,589	103,863
Deferred revenue	71,484	106,634
Current portion of notes payable	24,757	38,436
Total current liabilities	340,653	363,008
Noncurrent liabilities		
Notes payable	503,763	575,476
Total noncurrent liabilities	503,763	575,476
Total liabilities	844,416	938,484
Net assets		
Unrestricted net assets	5,994,759	6,126,420
Total liabilities and net assets	\$ 6,839,175	\$ 7,064,904

**GOLDEN HARVEST FOOD BANK, INC.
AND AFFILIATE**

Combined Statements of Activities and Changes in Net Assets

For the Years Ended September 30, 2008 and 2007

	2008	2007
Unrestricted net assets		
Support and revenue		
Support:		
Contributions – food	\$ 12,855,646	\$ 14,082,099
Contributions – monetary	1,492,813	1,172,994
Federal, state and local grants and contracts	1,137,302	791,634
Total support	15,485,761	16,046,727
Revenue:		
Purchased food sales	365,491	176,611
Job training revenue	840	1,440
Shared maintenance fees	685,410	743,102
Agency fees	11,680	5,935
Rental income	156,340	156,340
Fundraising	358,681	291,793
Investment income (loss)	(159,385)	113,909
Miscellaneous	4,081	354
Total revenue	1,423,138	1,489,484
Total unrestricted support and revenue	16,908,899	17,536,211
Expenses		
Program services	16,131,998	16,445,997
Supporting services:		
Management and general	381,386	347,727
Fund raising	527,176	494,017
Total supporting services	908,562	841,744
Total expenses	17,040,560	17,287,741
Increase (decrease) in unrestricted net assets	(131,661)	248,470
Unrestricted net assets, beginning of year	6,126,420	5,877,950
Unrestricted net assets, end of year	\$ 5,994,759	\$ 6,126,420

**GOLDEN HARVEST FOOD BANK, INC.
AND AFFILIATE**

Combined Statements of Functional Expenses

For the Years Ended September 30, 2008 and 2007 (Memo only)

	Program Services				
	Augusta Distribution	Augusta Masters Table	Faith Food Factory	Aiken Distribution	Upstate SC Distribution
Food donations	\$ -	\$ -	\$ -	\$ -	\$ -
Salaries and payroll expenses	509,731	123,599	56,185	185,322	41,580
Payroll taxes	37,086	9,393	4,373	14,629	2,897
Fringe benefits	99,615	14,661	660	10,412	9,796
Advertising	981	-	-	212	450
Auto and delivery	71,883	1,089	-	46,644	5,323
Office and postage	37,532	84	-	2,954	127
Job training	400	-	-	-	-
Casual labor	42	54	172	-	-
Dues and subscriptions	765	-	-	260	518
Food purchases	885,710	13,169	-	4,620	11,230
Freight	73,147	-	-	36,298	24,198
Insurance	51,439	4,584	11,124	15,149	4,190
Interest	21,313	-	-	7,165	-
Miscellaneous	3,830	1,019	-	70	236
Professional services	1,930	3,995	13	8,177	30
Rental	26,813	1,197	5,512	1,761	33,500
Maintenance	52,506	15,100	7,396	8,477	2,190
Fees	33,830	-	-	25,402	536
Supplies	26,788	12,455	1,006	7,559	545
Telephone	16,966	867	-	1,906	2,115
Travel	4,562	829	35	2,261	744
Utilities	71,359	22,183	21,197	19,515	6,964
Events	1,379	833	32	115	18
Equipment at agencies	-	-	-	-	-
Depreciation	75,543	14,627	88,505	51,558	3,393
	<u>\$ 2,105,150</u>	<u>\$ 239,738</u>	<u>\$ 196,210</u>	<u>\$ 450,466</u>	<u>\$ 150,580</u>

See notes to combined financial statements.

		Supporting Services				
Food Donations	Total	Management & General	Fund Raising	Total	2008 Total	2007 Total (Memo only)
\$ 12,989,854	\$ 12,989,854	\$ -	\$ -	\$ -	\$ 12,989,854	\$ 13,843,313
-	916,417	245,247	183,895	429,142	1,345,559	1,134,723
-	68,378	17,556	14,175	31,731	100,109	87,581
-	135,144	23,432	18,613	42,045	177,189	189,541
-	1,643	99	196,755	196,854	198,497	222,742
-	124,939	864	502	1,366	126,305	89,781
-	40,697	855	17,742	18,597	59,294	51,497
-	400	35	-	35	435	114
-	268	91	-	91	359	-
-	1,543	1,052	765	1,817	3,360	2,029
-	914,729	-	-	-	914,729	653,500
-	133,643	-	-	-	133,643	105,972
-	86,486	10,705	648	11,353	97,839	87,964
-	28,478	3,000	-	3,000	31,478	33,401
-	5,155	1,505	4,854	6,359	11,514	23,451
-	14,145	53,577	27,423	81,000	95,145	84,821
-	68,783	6	-	6	68,789	40,830
-	85,669	374	6,687	7,061	92,730	88,985
-	59,768	5,364	-	5,364	65,132	64,971
-	48,353	2,322	1,622	3,944	52,297	44,099
-	21,854	1,626	463	2,089	23,943	17,507
-	8,431	6,536	4,171	10,707	19,138	16,401
-	141,218	-	224	224	141,442	123,469
-	2,377	7,140	48,637	55,777	58,154	44,637
-	-	-	-	-	-	16,843
-	233,626	-	-	-	233,626	219,569
<u>\$ 12,989,854</u>	<u>\$ 16,131,998</u>	<u>\$ 381,386</u>	<u>\$ 527,176</u>	<u>\$ 908,562</u>	<u>\$ 17,040,560</u>	<u>\$ 17,287,741</u>

**GOLDEN HARVEST FOOD BANK, INC.
AND AFFILIATE**

Combined Statements of Functional Expenses

For the Year Ended September 30, 2007

	Program Services				
	Augusta Distribution	Augusta Masters Table	Faith Food Factory	Aiken Distribution	Food Donations
Food donations	\$ -	\$ -	\$ -	\$ -	\$ 13,843,313
Salaries and payroll expenses	457,616	134,351	47,737	155,800	-
Payroll taxes	35,837	10,601	3,998	11,999	-
Fringe benefits	92,167	16,364	2,978	19,259	-
Advertising	2,120	-	-	187	-
Auto and delivery	71,293	172	-	17,639	-
Office and postage	35,086	91	-	2,619	-
Job training	-	-	79	-	-
Dues and subscriptions	577	50	-	505	-
Food purchases	635,696	10,676	-	7,128	-
Freight	81,659	-	-	24,313	-
Insurance	56,155	2,522	10,070	11,939	-
Interest	22,247	-	-	7,404	-
Miscellaneous	3,856	569	3	520	-
Professional services	1,840	539	138	5,485	-
Rental	32,702	1,209	4,769	2,150	-
Maintenance	41,823	11,008	6,334	9,154	-
Fees	45,830	-	-	19,141	-
Supplies	19,804	10,948	3,425	5,279	-
Telephone	13,607	857	-	1,360	-
Travel	3,502	620	84	1,303	-
Utilities	67,365	18,423	21,212	16,469	-
Events	5,988	-	-	22	-
Equipment at agencies	-	-	-	16,843	-
Depreciation	75,293	13,524	85,824	44,928	-
	<u>\$ 1,802,063</u>	<u>\$ 232,524</u>	<u>\$ 186,651</u>	<u>\$ 381,446</u>	<u>\$ 13,843,313</u>

See notes to combined financial statements.

Supporting Services				
Total	Management & General	Fund Raising	Total	2007 Total
\$ 13,843,313	\$ -	\$ -	\$ -	\$ 13,843,313
795,504	232,210	107,009	339,219	1,134,723
62,435	15,548	9,598	25,146	87,581
130,768	28,064	30,709	58,773	189,541
2,307	15	220,420	220,435	222,742
89,104	323	354	677	89,781
37,796	322	13,379	13,701	51,497
79	35	-	35	114
1,132	407	490	897	2,029
653,500	-	-	-	653,500
105,972	-	-	-	105,972
80,686	7,278	-	7,278	87,964
29,651	3,750	-	3,750	33,401
4,948	489	18,014	18,503	23,451
8,002	39,851	36,968	76,819	84,821
40,830	-	-	-	40,830
68,319	630	20,036	20,666	88,985
64,971	-	-	-	64,971
39,456	1,700	2,943	4,643	44,099
15,824	1,317	366	1,683	17,507
5,509	7,755	3,137	10,892	16,401
123,469	-	-	-	123,469
6,010	8,033	30,594	38,627	44,637
16,843	-	-	-	16,843
219,569	-	-	-	219,569
<u>\$ 16,445,997</u>	<u>\$ 347,727</u>	<u>\$ 494,017</u>	<u>\$ 841,744</u>	<u>\$ 17,287,741</u>

**GOLDEN HARVEST FOOD BANK, INC.
AND AFFILIATE**

Combined Statements of Cash Flows

For the Years Ended September 30, 2008 and 2007

	2008	2007
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (131,661)	\$ 248,470
Adjustment to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation	233,626	219,569
Contribution of capital asset	(82,443)	-
Loss (gain) on investments	179,560	(60,477)
Loss on sale of assets	-	460
(Increase) decrease in accounts receivable	(79,083)	15,599
Decrease in pledges receivable	-	85,500
(Increase) decrease in prepaid expenses	2,330	(7,779)
(Increase) decrease in inventory	34,896	(177,466)
Increase (decrease) in accounts payable	(3,252)	69,087
Increase (decrease) in accrued payroll liabilities	29,726	(12,645)
Increase (decrease) in deferred revenue	(35,150)	52,356
Net cash provided by operating activities	148,549	432,674
Cash flows from investing activities		
Purchase of capital assets	(196,261)	(132,076)
Proceeds from sale of capital assets	-	26,340
Purchase of long-term investments	(128,095)	(55,150)
Proceeds from sale of long-term investments	63,824	18,393
Net cash used in investing activities	(260,532)	(142,493)
Cash flows from financing activities		
Principal payments on long-term notes payable	(85,392)	(126,187)
(Increase) decrease in restricted cash	(17,879)	16,579
Net cash used in financing activities	(103,271)	(109,608)
Net increase (decrease) in cash and cash equivalents	(215,254)	180,573
Cash and cash equivalents and designated cash at beginning of year	638,399	457,826
Cash and cash equivalents and designated cash at end of year	\$ 423,145	\$ 638,399
 Supplemental information		
Interest paid	\$ 31,478	\$ 33,401

See notes to combined financial statements.

GOLDEN HARVEST FOOD BANK, INC. AND AFFILIATE

Notes to Combined Financial Statements

September 30, 2008 and 2007

Note 1 – Summary of significant accounting policies

Nature of operations – Golden Harvest Food Bank, Inc. (“Golden Harvest” or “the Food Bank” or “Organization”) is a locally supported, nonprofit, charitable food distribution center that provides grocery products to the hungry through its member agencies. The Food Bank’s core activity is its distribution network to over 450 churches and other charitable organizations within its service area, which encompasses 30 counties within Georgia and South Carolina. Golden Harvest also operates six direct service programs that feed the hungry: The Master’s Table Soup Kitchen, which serves over 250 people a free noon-time meal daily; Brown Bag Program, which provides a free monthly bag of groceries for senior citizens; Children’s Harvest, an after-school tutoring and feeding program for inner city children; Homebound Program, which provides a free 25-pound box of food to needy, ill, or elderly homebound people; Manna Truck, a mobile food distribution program that allows agencies in neighborhood parking lots or county crossroads to distribute at least 5,000 pounds of food to the needy at one time; BackPack Program, that provides children at risk of hunger with a supply of nutritious, easy-open foods for the weekend. Golden Harvest’s programs are supported primarily by contributions and grants.

Principles of combination – The combined financial statements include the accounts of Golden Harvest and its affiliate, Food Forever Fund, Inc. (“Food Forever”). Food Forever is a nonprofit organization formed for the purpose of investing funds for providing a future income stream for the operation of Golden Harvest.

Financial statement presentation – The financial statements of Golden Harvest Food Bank, Inc. and affiliate, (the “Organization”), have been prepared on the accrual basis of accounting and follow accounting principles generally accepted in the United States of America as applied to nonprofit organizations.

Revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and related activity are classified into three net asset categories: unrestricted, temporarily restricted, and permanently restricted, as follows:

Unrestricted – Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted – Net assets that are subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. Items that affect this net asset category are restricted contributions, including pledges, and grants for which restrictions have not been met. These amounts are reclassified to unrestricted when the restrictions are met or have expired. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Permanently restricted – Net assets that are subject to donor-imposed restrictions to be maintained permanently by the Organization. Items that affect this net asset category include gifts wherein donors stipulate that the corpus is held in perpetuity and only the income be made available for program operations.

Support and revenue – Support and revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless explicit donor stipulation or law restricts their use. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) is reported as reclassifications between applicable classes of net assets.

**GOLDEN HARVEST FOOD BANK, INC.
AND AFFILIATE**

Notes to Combined Financial Statements - Continued

September 30, 2008 and 2007

Note 1 – Summary of significant accounting policies (Continued)

Contributions, including unconditional pledges, are recognized in the period received. Conditional pledges are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible pledges receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fundraising activity. Pledges that are expected to be collected within one year are classified as current assets. Long-term pledges are expected to be collected within approximately two to four years. Revenue from fees is recognized when the program service is completed. Revenue from federal and state grants, most of which are on a reimbursement basis, is recognized when expenses are incurred in connection with the grants.

Income taxes – The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, and is not a private foundation.

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 certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of any 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.

Functional allocation - The costs of providing the Organization's programs and other activities have been reported on a functional basis in the Combined Statement of Activities. Directly identifiable costs have been allocated to the program or supporting service benefited. Indirect costs have been allocated based on management's estimate of resources used on behalf of the program or supporting service.

Cash equivalents – For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

Advertising costs – Advertising costs are expensed as incurred. These costs totaled \$198,497 and \$222,742 during the years ended September 30, 2008 and 2007, respectively.

Inventory - Inventory is valued at the lower of cost or market, determined using the first-in first-out (FIFO) method.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Combined Statement of Financial Position. The Organization determines fair values of equity and debt instruments based on quoted market prices. Donated investments are recorded at fair value at the date of gift.

Realized gains or losses on the sale of investments are determined based on the most recent date at which the investments were adjusted for unrealized appreciation and depreciation. Unrealized gains and losses resulting from changes in market values are included with realized gains and losses as investment income in the Combined Statement of Activities.

**GOLDEN HARVEST FOOD BANK, INC.
AND AFFILIATE**

Notes to Combined Financial Statements - Continued

September 30, 2008 and 2007

Note 1 – Summary of significant accounting policies (Continued)

Property and equipment – Property and equipment is stated at cost at date of acquisition for assets purchased. Donations of property and equipment are recorded as support at their estimated fair value at the date of gift. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets, which range from 5 to 39 years.

Shipping and handling costs – Shipping costs are expensed as incurred and are included in program services as freight.

Contributed services – The Organization receives a significant amount of donated services from unpaid volunteers who assist in food drives and food distribution. These donated services are not reflected in the financial statements since they do not meet the criteria for recognition as contributed services.

Concentrations of credit risk – Financial instruments that potentially subject the Organization to credit risk consist principally of cash and cash equivalents. The Organization maintains cash balances in a bank. These balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. Total uninsured cash balances at September 30, 2008 and 2007 were \$502,799 and \$594,083, respectively.

Reclassification – Certain reclassifications have been made to the 2007 financial statements to conform to the current year presentation.

Note 2 – Cash designations and restrictions

At September 30, 2008 and 2007, designated and restricted cash included the following restricted funds:

Management designated funds of \$5,379 and \$83,365, respectively -- Management voluntarily set aside this cash and net assets as an operating reserve.

FEMA restricted funds of \$66,220 and \$49,927, respectively -- Funds were received directly from Federal Emergency Management Agency to be applied towards the costs of distributing food donations to FEMA recipients. These funds are required to be maintained in a separate bank account.

USDA restricted funds of \$53,801 and \$52,215, respectively -- Under a loan agreement with the USDA, Golden Harvest is required to maintain these funds in reserve for the duration of the loan. Funds can be applied towards warehouse repairs but must subsequently be replenished to a level equal to at least a year's worth of mortgage payments. These funds are required to be maintained in a separate bank account.

**GOLDEN HARVEST FOOD BANK, INC.
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Notes to Combined Financial Statements - Continued

September 30, 2008 and 2007

Note 3 – Accounts and pledges receivable

At September 30, 2008 and 2007, accounts receivable balances consisted of the following:

	<u>2008</u>	<u>2007</u>
Agency receivables	\$ 32,599	\$ 26,762
Grants receivable	181,436	103,219
Employee advances and other	<u>2,508</u>	<u>7,479</u>
Total accounts receivable	<u>\$ 216,543</u>	<u>\$ 137,460</u>

Agency receivables consist of numerous receivables from local agencies. Grants receivable are receivables from federal, state and local agencies. At September 30, 2008 and 2007, no allowance for doubtful accounts was considered necessary.

Note 4 – Inventory

At September 30, 2008 and 2007, the inventory balances consisted of the following:

	<u>2008</u>	<u>2007</u>
Donated and purchased foods	\$ 1,099,554	\$ 1,169,781
Donated USDA foods	<u>144,058</u>	<u>108,727</u>
	<u>\$ 1,243,612</u>	<u>\$ 1,278,508</u>

Donated food is valued based upon the fair market value of the foods, as published by America's Second Harvest, The Nation's Food Bank Network. At September 30, 2008 and 2007, the approximate wholesale value of one pound of donated food was \$1.49 and \$1.69, respectively. Food provided by the USDA is valued based on values provided by the USDA. Purchased food is recorded at cost which approximates market.

Note 5 – Property and equipment

At September 30, 2008 and 2007, property and equipment consisted of the following:

	<u>2008</u>	<u>2007</u>
Land	\$ 177,300	\$ 177,300
Building	4,988,553	4,916,514
Automobiles	534,371	368,785
Equipment	<u>1,043,144</u>	<u>1,002,065</u>
	6,743,368	6,464,664
Accumulated depreciation	<u>(2,550,789)</u>	<u>(2,317,163)</u>
	<u>\$ 4,192,579</u>	<u>\$ 4,147,501</u>

**GOLDEN HARVEST FOOD BANK, INC.
AND AFFILIATE**

Notes to Combined Financial Statements - Continued

September 30, 2008 and 2007

Note 6 – Investments and endowment

Investments at September 30, 2008 and 2007 are carried at fair market value and consist of the following:

	September 30, 2008		September 30, 2007	
	Cost	Market Value	Cost	Market Value
Golden Harvest:				
Equity Securities Funds	\$ <u>80,000</u>	\$ <u>67,917</u>	\$ <u>80,000</u>	\$ <u>86,455</u>
Food Forever:				
Equity securities funds	<u>609,807</u>	<u>541,584</u>	<u>444,989</u>	<u>638,335</u>
	<u>\$ 689,807</u>	<u>\$ 609,501</u>	<u>\$ 524,989</u>	<u>\$ 724,790</u>

Investment return is summarized as follows:

	2008	2007
Interest and dividends	\$ 18,622	\$ 19,759
Net realized and unrealized gains and losses	<u>(178,007)</u>	<u>94,150</u>
	<u>\$ (159,385)</u>	<u>\$ 113,909</u>

Note 7 – Long-term debt

Long-term debt consists of notes payable due to the USDA, bearing interest between 4.63% and 5.25%, with maturities from 2022 to 2033, and totaling \$528,520 in 2008 and \$553,912 in 2007; and a note payable to a charitable organization (Home Missionaries of America) of \$0 in 2008 and \$60,000 in 2007, bearing interest at 5%, maturing in 2011. Maturities on notes payable are as follows:

2009	\$ 24,757
2010	26,069
2011	27,451
2012	28,842
2013	30,435
Thereafter	<u>390,966</u>
	<u>\$ 528,520</u>

The notes are collateralized by warehouses and other real estate in the Augusta and Aiken area.

Note 8 – Rental income

The Organization leases a donated building to an entity under a five-year noncancelable lease with monthly rental income of \$13,028 through May 31, 2010. The cost of the building and improvements was \$1,361,725 and the accumulated depreciation was \$298,889 and \$263,973 at September 30, 2008 and 2007, respectively.

**GOLDEN HARVEST FOOD BANK, INC.
AND AFFILIATE**

Notes to Combined Financial Statements - Continued

September 30, 2008 and 2007

Note 9 – Operating leases

The Organization leases equipment for operations and special events and rents building space for the Soup Kitchen on a year-to-year lease.

The Organization leases a building and various equipment under operating leases expiring in fiscal years 2009 through 2012. For the years ended September 30, 2008 and 2007, total lease expense was \$68,789 and \$40,830, respectively.

The following is a schedule by year of future minimum lease payments under operating leases as of September 30, 2008, that have an initial or remaining lease terms in excess of one year:

2009	\$ 76,149
2010	12,107
2011	10,099
2012	<u>4,698</u>
	<u>\$ 103,053</u>

Note 10 – Defined contribution pension plan

The Organization has a simplified employee pension plan. Under this agreement, the Organization may contribute up to 3% of eligible gross wages on an annual basis. During the years ended September 30, 2008 and 2007, the Organization contributed \$21,458 and \$33,541, respectively, to this plan.

Note 11 – Related-party transactions

For the years ended September 30, 2008 and 2007, the Organization recorded approximately \$215,506 and \$91,594, respectively, in contributions from the Board of Directors, executive management and companies related to the Board of Directors.

At September 30, 2008 and 2007, Food Forever had \$47,034 and \$910,541, respectively, in investments and on deposit with a bank on which Golden Harvest's board member is an employee.

Note 12 - Cash flow information

The Organization had a noncash donation of a new truck of \$82,443 and \$0 in 2008 and 2007, respectively.

**GOLDEN HARVEST FOOD BANK, INC.
AND AFFILIATE**

Notes to Combined Financial Statements - Continued

September 30, 2008 and 2007

Note 13 – Subsequent events

Investment securities, in general, are subject to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near-term and such changes could materially affect the amounts reported in the Combined Statement of Financial Position. As of the date of this report, the market value of the investments recorded on the Combined Statement of Financial Position declined in value by approximately 20% due to market declines.

On October 30, 2008, Golden Harvest purchased land for \$110,000 for anticipated construction of a new soup kitchen.

On November 7, 2008, Golden Harvest obtained a \$100,000 operating line of credit, with an interest rate based on the prime rate plus 1.40%. The prime rate is the fixed lending rate for commercial loans established by SunTrust Bank. The line of credit is secured by all the assets of Golden Harvest. The line of credit has no outstanding balance as of January 21, 2009.

In October and November 2008 the Federal Deposit Insurance Corporation (FDIC) temporarily increased coverage to \$250,000 for substantially all depository accounts and temporarily provides unlimited coverage for certain qualifying and participating non-interest bearing transaction accounts. The increased coverage is scheduled to expire on December 31, 2009, at which time it is anticipated amounts insured by the FDIC will return to \$100,000.



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
Golden Harvest Food Bank, Inc.
Augusta, Georgia

We have audited the financial statements of Golden Harvest Food Bank, Inc. and affiliate, (the “Organization”), as of and for the years ended September 30, 2008 and 2007, and have issued our report thereon dated January 21, 2009. 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.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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*.

We noted certain matters that we reported to management of the Organization in a separate letter dated January 21, 2009.

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

Chung, Bekant & Holland, L.L.P.

Augusta, Georgia
January 21, 2009