

**SECOND HARVEST FOOD BANK
OF NORTHWEST PENNSYLVANIA, INC.
FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT
June 30, 2009 and 2008**

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MALONEY, REED, SCARPITTI & COMPANY, LLP

Certified Public Accountants and Business Advisors

ERIE • EDINBORO • CORRY

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Board of Directors
Second Harvest Food Bank
of Northwest Pennsylvania, Inc.
Erie, Pennsylvania

We have audited the accompanying statements of financial position of Second Harvest Food Bank (a nonprofit Food Bank) as of June 30, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Food Bank'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. 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 financial position of Second Harvest Food Bank as of June 30, 2009 and 2008, 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules of support and revenue are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maloney, Reed, Scarpitti & Company, LLP

Erie, Pennsylvania
October 19, 2009

SECOND HARVEST FOOD BANK OF NORTHWEST PENNSYLVANIA, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2009 and 2008

ASSETS	2009	2008
Cash and equivalents	\$ 437,423	\$ 360,250
Investments	2,446,271	2,907,677
Food inventory	1,140,152	1,198,706
Prepaid expenses	14,112	10,393
Grants expended in advance	13,680	-
Accounts receivable - trade	93,559	68,210
Other receivable	1,362	57,828
Contributions receivable, net	1,879,407	2,483,327
Property and Equipment, net	3,986,170	4,102,811
	\$ 10,012,136	\$ 11,189,202
TOTAL ASSETS		

See accompanying notes and auditors' report.

	<u>2009</u>	<u>2008</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 225,317	\$ 159,998
Deferred grant revenue	-	3,424
Mortgage payable	<u>1,893,449</u>	<u>3,000,068</u>
TOTAL LIABILITIES	<u>\$ 2,118,766</u>	<u>\$ 3,163,490</u>
NET ASSETS		
UNRESTRICTED		
Unrestricted, undesignated	\$ 4,206,966	\$ 3,538,721
Board designated reserve	<u>1,200,000</u>	<u>1,200,000</u>
TOTAL UNRESTRICTED	<u>\$ 5,406,966</u>	<u>\$ 4,738,721</u>
TEMPORARILY RESTRICTED		
Contributed food	\$ 936,537	\$ 1,155,787
Other	<u>1,549,867</u>	<u>2,131,204</u>
TOTAL TEMPORARILY RESTRICTED	<u>\$ 2,486,404</u>	<u>\$ 3,286,991</u>
TOTAL NET ASSETS	<u>\$ 7,893,370</u>	<u>\$ 8,025,712</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 10,012,136</u></u>	<u><u>\$ 11,189,202</u></u>

SECOND HARVEST FOOD BANK OF NORTHWEST PENNSYLVANIA, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2009 and 2008

	2009			
	Unrestricted	Temporarily Restricted		Total
		Donated Food	Other	
SUPPORT AND REVENUE				
Operating revenue	\$ 1,968,525	\$ -	\$ 27,952	\$ 1,996,477
Grant revenue	423,886	702,909	-	1,126,795
Donated food and non-cash donations	16,850	7,179,803	-	7,196,653
Loss on investments and assets	(620,463)	-	-	(620,463)
Special projects and bequests	65,742	-	450,353	516,095
TOTAL SUPPORT AND REVENUE	\$ 1,854,540	\$ 7,882,712	\$ 478,305	\$ 10,215,557
NET ASSETS RELEASED FROM RESTRICTIONS	\$ 9,161,604	\$ (8,101,962)	(1,059,642)	\$ -
TOTAL PUBLIC SUPPORT, REVENUE AND RECLASSIFICATIONS	\$ 11,016,144	\$ (219,250)	\$ (581,337)	\$ 10,215,557
EXPENSES				
Program services	\$ 9,791,019	\$ -	\$ -	\$ 9,791,019
Management and general	423,104	-	-	423,104
Fundraising	133,776	-	-	133,776
TOTAL EXPENSES	\$ 10,347,899	\$ -	\$ -	\$ 10,347,899
Change in net assets	\$ 668,245	\$ (219,250)	\$ (581,337)	\$ (132,342)
BEGINNING NET ASSETS	4,738,721	1,155,787	2,131,204	8,025,712
ENDING NET ASSETS	\$ 5,406,966	\$ 936,537	\$ 1,549,867	\$ 7,893,370

See accompanying notes and auditors' report.

2008

Unrestricted	Temporarily Restricted		Total
	Donated Food	Other	
\$ 1,628,135	\$ -	\$ 57,367	\$ 1,685,502
456,850	534,216	-	991,066
107,450	7,926,024	-	8,033,474
(211,160)	-	-	(211,160)
87,380	-	2,824,048	2,911,428
<u>\$ 2,068,655</u>	<u>\$ 8,460,240</u>	<u>\$ 2,881,415</u>	<u>\$ 13,410,310</u>
<u>\$ 9,009,779</u>	<u>\$ (8,238,489)</u>	<u>(771,290)</u>	<u>\$ -</u>
<u>\$ 11,078,434</u>	<u>\$ 221,751</u>	<u>\$ 2,110,125</u>	<u>\$ 13,410,310</u>
\$ 9,838,666	\$ -	\$ -	\$ 9,838,666
312,961	-	-	312,961
281,662	-	-	281,662
<u>\$ 10,433,289</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,433,289</u>
\$ 645,145	\$ 221,751	\$ 2,110,125	\$ 2,977,021
4,093,576	934,036	21,079	5,048,691
<u>\$ 4,738,721</u>	<u>\$ 1,155,787</u>	<u>\$ 2,131,204</u>	<u>\$ 8,025,712</u>

SECOND HARVEST FOOD BANK OF NORTHWEST PENNSYLVANIA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2009 and 2008

	2009			
	Program Services	Supporting Services		Total
	Food Distribution	Management and General	Fundraising	
OPERATING EXPENSE				
Salaries	\$ 338,123	\$ 217,045	\$ 64,245	\$ 619,413
Payroll taxes and employee benefits	143,265	91,963	27,221	262,449
Building Costs	52,974	5,886	-	58,860
Depreciation Expense	146,649	15,733	-	162,382
SHFB Food Purchases	3,221	-	-	3,221
Overhead Expense	32,126	-	-	32,126
Professional and investment fees	17,415	76,171	3,435	97,021
Public Relations	-	-	8,263	8,263
Special Project Expense	41,899	-	-	41,899
Transportation Costs - Freight	79,186	-	-	79,186
Transportation Costs - Other	46,391	-	-	46,391
Utilities	72,302	8,034	-	80,336
Fundraising Expense	-	-	18,108	18,108
Loan Interest Expense	74,450	8,272	-	82,722
Real Estate Taxes	-	-	-	-
Bad Debt (Recovery) Expense	-	-	(13,990)	(13,990)
Wholesale Food Purchases	315,703	-	-	315,703
Food Purchases	62,163	-	-	62,163
TOTAL OPERATING EXPENSE	\$ 1,425,867	\$ 423,104	\$ 107,282	\$ \$ 1,956,253
GRANT EXPENSES				
State Grant	\$ 330,191	\$ -	\$ -	\$ 330,191
FEMA Grant	93,695	-	-	93,695
TOTAL GRANT EXPENSE	\$ 423,886	\$ -	\$ -	\$ 423,886
DONATED FOOD				
Donated Food Distributed	\$ 8,101,962	\$ -	\$ -	\$ 8,101,962
PURCHASED INVENTORY				
Change in Purchased Inventory	\$ (160,696)	\$ -	\$ -	\$ (160,696)
FUNDRAISING				
Capital Campaign Expenses	\$ -	\$ -	\$ 26,494	\$ 26,494
TOTAL EXPENSES	\$ 9,791,019	\$ 423,104	\$ 133,776	\$ 10,347,899

See accompanying notes and auditors' report.

2008

Program Services	Supporting Services			Total
	Food Distribution	Management and General	Fundraising	
\$ 324,581	\$ 172,165	\$ 74,871	\$ 571,617	
129,787	68,842	29,938	228,567	
106,274	11,808	-	118,082	
58,547	10,577	-	69,124	
946	-	-	946	
29,313	-	-	29,313	
19,845	37,833	2,173	59,851	
-	-	26,583	26,583	
34,109	-	-	34,109	
73,121	-	-	73,121	
44,400	-	-	44,400	
69,795	7,755	-	77,550	
-	-	19,342	19,342	
22,913	2,546	-	25,459	
12,915	1,435	-	14,350	
-	-	30,389	30,389	
119,216	-	-	119,216	
30,278	-	-	30,278	
<u>\$ 1,076,040</u>	<u>\$ 312,961</u>	<u>\$ 183,296</u>	<u>\$ 1,572,297</u>	
\$ 364,989	\$ -	\$ -	\$ 364,989	
91,861	-	-	91,861	
<u>\$ 456,850</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 456,850</u>	
<u>\$ 8,238,489</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,238,489</u>	
\$ 67,287	\$ -	\$ -	\$ 67,287	
\$ -	\$ -	\$ 98,366	\$ 98,366	
<u>\$ 9,838,666</u>	<u>\$ 312,961</u>	<u>\$ 281,662</u>	<u>\$ 10,433,289</u>	

SECOND HARVEST FOOD BANK OF NORTHWEST PENNSYLVANIA, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (132,342)	\$ 2,977,021
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	162,382	69,124
Loss on investments	620,463	201,403
Impairment and disposal of property and equipment	-	9,757
Non-cash property addition	-	-
(Increase) decrease in:		
Receivables	635,037	(2,495,898)
Prepaid expenses and grants expended in advance	(17,399)	13,557
Food inventory	58,554	(154,465)
Increase (decrease) in:		
Accounts payable and accrued expenses	65,319	(26,417)
Deferred revenue	(3,424)	(67,625)
	\$ 1,388,591	\$ 526,457
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sales (purchases) of short-term investments	\$ (83,139)	\$ 6,702
Proceeds from sale of investments	1,184,949	957,217
Purchases of investments	(1,260,867)	(930,295)
Proceeds from sale of property and equipment	-	3,800
Purchases of property and equipment	(45,741)	(507,040)
	\$ (204,798)	\$ (469,616)
NET CASH USED IN INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term debt	\$ (1,106,619)	\$ -
	\$ (1,106,619)	\$ -
NET CASH USED IN FINANCING ACTIVITIES		
INCREASE IN CASH AND CASH EQUIVALENTS	\$ 77,174	\$ 56,841
BEGINNING CASH AND CASH EQUIVALENTS	360,250	303,409
ENDING CASH AND CASH EQUIVALENTS	\$ 437,423	\$ 360,250

See accompanying notes and independent auditors' report.

Second Harvest Food Bank of Northwest Pennsylvania, Inc.
Notes to Financial Statements
June 30, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Food Bank are described below to enhance the usefulness of the financial statements to the reader.

Food Bank

The Second Harvest Food Bank of Northwest Pennsylvania, Inc. is a nonprofit corporation exempt from federal and state taxes on income under Section 501(c)(3) of the Internal Revenue Code. It was established to collect, warehouse and distribute food to social agencies that feed the needy in Northwest Pennsylvania.

The financial statements of the Food Bank consist only of the funds of the Food Bank. The Food Bank has no oversight responsibility for any other Food Banks since no other entities are considered to be controlled by or dependent on the Food Bank. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting which generally recognizes revenue when earned and expenses when incurred.

The Food Bank reports information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Food Bank presents a statement of cash flows. There are no permanently restricted net assets at the Food Bank.

Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Fair Value

The Food Bank reports its financial assets and liabilities at fair value which is defined here as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. This price is known as the exit price. In many cases original cost will equal the exit price and therefore, represent fair value. For these assets and liabilities, no subsequent measurement to fair value is necessary.

Assets whose fair values change for the Food Bank include Investments and Unconditional Promises to Give. A fair value measurement assumes the highest and best use of the asset by market participants. Therefore, the measurement considers the assumptions that market participants would use in pricing the asset. Valuation techniques used to measure fair value use observable and unobservable inputs which market participants would likely use. The inputs for assets subsequently measured to fair value have been summarized as follows:

Level 1 Inputs	Quoted prices in active markets for identical assets or liabilities
Level 2 Inputs	Inputs, other than quoted market prices, that are observable, either directly or indirectly
Level 3 Inputs	Unobservable inputs

Cash Balances, Cash Equivalents and Concentration of Risk

The Food Bank considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Cash balances are maintained at institutions in Northwestern Pennsylvania. Bank accounts were insured by the Federal Deposit Insurance Corporation up to \$250,000 and \$100,000 at June 30, 2009 and 2008, respectively. At June 30, 2009 and 2008 balances exceed the insured amount by \$-0- and \$41,006, respectively. Cash equivalents held in brokerage accounts are not federally insured. Uninsured liquidity funds at June 30, 2009 and 2008 are \$334,729 and \$247,831, respectively.

Second Harvest Food Bank of Northwest Pennsylvania, Inc.
Notes to Financial Statements
June 30, 2009 and 2008

Cash amounts which are required to be held in separate accounts under grant agreements are held in such accounts until spent by the Food Bank.

Investments

Investments held directly by the Food Bank are recorded at fair values using quoted market prices in active markets. These accounts, cash equivalents, and money market funds are maintained in bank trust departments in Northwestern Pennsylvania.

Investments held by the Erie Community Foundation are recorded at fair value amounts as reported to the Food Bank by the Erie Community Foundation. As such, these inputs are not observable.

Investment accounts are not insured by the Federal Deposit Insurance Corporation.

Unconditional Promises to Give, Accounts Receivable and Bad Debts

Unconditional promises to give are measured at fair value. Fair value is determined using the present value of the amount of future cash flows using observable interest rate inputs.

Promises and receivables are expensed as bad debts when management deems them to be uncollectible, using the allowance method. Amounts are determined to be past due when payment has not been received within a reasonable time. They receive no collateral.

Food Inventory

Food inventory consists of purchased and donated food. Purchased food is valued at cost on a lower of cost or market basis on the first-in, first-out method. Donated food has been donated by the public. Food received through The Emergency Food Assistance Program is valued at estimated cost provided by the program. All other food donations are valued at \$1.58 and \$1.49 per gross pound, for the years ended June 30, 2009 and 2008, respectively. Feeding America, the national food bank network, determined this value. KPMG LLP, performed certain agreed-upon procedures in accordance with standards established by the American Institute of Certified Public Accountants solely to assist Food Banks with respect to determining the approximate average wholesale value of one pound of donated product at the national level. Their reports, for the years ended December 31, 2008 and 2007 are available upon request.

Food donated is shown as an item of support and the distribution is shown as an expenditure.

Concentration of Credit Risk

The Food Bank grants credit to its customers for service fees in the course of business, conducts periodic credit evaluations and generally requires no collateral. Cash receipts come generally from service fees, government grants, and contributions.

The maximum amount of loss due to credit risk that based on the gross fair value of the accounts receivable balance, the Food Bank would incur if parties failed to perform according to the terms of the contracts, is limited to the balance in the accounts receivable account.

Capitalization and Depreciation

The Food Bank generally capitalizes property and equipment at cost. Expenditures for renewals and betterments generally greater than \$1,000 are capitalized; repairs and maintenance are expensed.

Donated equipment is capitalized at its estimated fair value upon receipt. Depreciation on depreciable fixed assets is computed using the straight-line method over estimated useful lives beginning when the assets are placed in service.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Such contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the donor restrictions.

Second Harvest Food Bank of Northwest Pennsylvania, Inc.
Notes to Financial Statements
June 30, 2009 and 2008

Donated food is restricted to feeding the needy. The Food Bank recognizes the value of contributed food as temporarily restricted support when received and records the restriction as released when distributed.

Contributed Services

Services provided which create or enhance nonfinancial assets, require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation are recognized in the financial statements at the fair value of services provided.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Food Bank in its food distribution facilities. These services are not recognized in the financial statements.

Shipping and Handling Costs

Costs of shipping and handling inventory are expensed as incurred. Inventory on the statement of net assets is largely determined on a dollar per pound basis and no additional costs are added to it.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

NOTE 2 – CASH RESTRICTED TO INVESTMENT IN PROPERTY AND EQUIPMENT

Contributions were received which are restricted to purchases in property and equipment in the amount of \$60,000 and \$10,000 for the years ended June 30, 2009 and 2008, respectively.

NOTE 3 – INVESTMENTS

Investments in significant concentrations of the market are as follows:

	2009		2008	
	Fair Value	Cost	Fair Value	Cost
Fixed income funds				
Corporate	\$ 111,445	\$ 125,171	\$ 146,410	\$ 150,128
United States Government	26,547	24,953	76,454	74,953
Other	-	-	25,143	25,000
Mutual funds				
Fixed	996,492	981,714	940,611	959,144
Equity	1,170,421	1,359,097	1,719,059	1,475,869
Agency fund	141,366	160,587	-	-
	<u>\$ 2,446,271</u>	<u>\$ 2,651,522</u>	<u>\$ 2,907,677</u>	<u>\$ 2,685,094</u>

The Board of Directors has adopted a formal policy governing the investment of the Food Bank's funds, to be reviewed annually. This policy sets forth the types of investments which the Board has determined are appropriate for each of its funds, specifying minimum investment ratings, maximum maturities, and other guidelines where appropriate. The policy also specifies that insurance limits on funds in FDIC insured institutions be strictly adhered to when applicable.

The agency fund, as listed in the table above, was transferred to the Erie Community Foundation (ECF) during the year ended June 30, 2009 for the establishment of an agency endowment fund. Terms of the agreement for these funds have not been finalized. As of June 30, 2009, variance power has not been granted to ECF and a distribution has been received. The deposit was recorded directly into the ECF agency investment account at the time of receipt of the related gift.

Second Harvest Food Bank of Northwest Pennsylvania, Inc.
Notes to Financial Statements
June 30, 2009 and 2008

The agency fund investment consists of an interest in the pooled investments of the ECF. The investments at ECF are recorded at fair value using unobservable inputs and consist of a pool of securities managed by various third party asset managers. Net depreciation is recorded in the Statements of Activities. The ECF Board of Trustees sets overall investment objectives. Specific security buy and sell decisions are made by the managers of ECF funds. The ECF Board of Trustees reviews investment performance of the advisors and also periodically meets with representatives of those advisors for the purpose of discussing investment performance and objectives. Pooled investments at ECF consist of a blend of equity, fixed income, short term investments and alternative investments. There are no significant concentrations of investments by industry or company.

NOTE 4 – NET (LOSS) GAIN ON INVESTMENTS

Investment return is included in income from operations. Cash and investments are used and available for Food Bank activities. For the years ended June 30, 2009 and 2008 net gains and losses on investments consists of the following:

	2009	2008
Net unrealized (loss) on investments	\$ (203,855)	\$ (305,340)
Realized (loss) gain on sale of investments	(416,608)	103,937
	\$ (620,463)	\$ (201,403)

NOTE 5 – AFFILIATE RELATIONSHIP

The Food Bank is an affiliate of the non-profit food bank Feeding America, formerly named America's Second Harvest. As such, the Food Bank is restricted to a service area, required to pay an affiliate fee, receives access to an affiliate-only food bank exchange, and receives an annual valuation per pound of donated food.

NOTE 6 – FOOD INVENTORY

Food inventory consists of donated food and food purchased mostly with grant money. Inventory at June 30, 2009 and 2008 is as follows:

	2009	2008
Raw Materials - Donated Food	\$ 30,486	\$ 317,367
Finished Goods		
Donated Food	906,051	838,420
Purchased Food	203,615	42,919
	\$ 1,140,152	\$ 1,198,706

Second Harvest Food Bank of Northwest Pennsylvania, Inc.
Notes to Financial Statements
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Food inventory is also exchanged with other food banks. The exchange is recognized at fair value if donated and purchase price if purchased. No gain or loss is realized. Food inventory exchanged was as follows:

	2009	2008
Pounds received from other food banks		
Donated pounds	1,172,149	1,217,595
Fee added pounds	60,820	22,012
Total pounds received	1,232,969	1,239,607
Pounds distributed to other food banks		
Donated pounds	466,777	930,968
Fee added pounds	120,840	152,340
Total pounds distributed	587,617	1,083,308

NOTE 7 - CLIENT SERVICE FEES AND FOOD GRANTS

The Food Bank generally charges service fees of \$0.13 per pound to emergency agencies, \$0.15 per pound to non-emergency agencies, and \$0.12 per pound for agencies which qualify under the United States Department of Agriculture, The Emergency Food Assistance Program. The agencies take donated food and commodities and redistribute such items to the poor, needy and hungry. This fee offsets a portion of the handling and redistribution costs incurred by the Food Bank. Trade receivables include unpaid service fees as of June 30, 2009 and 2008.

The following grants were used to purchase food or offset agencies' service fees and are included in the statements of activities for the years ended June 30, 2009 and 2008. Interest earned on these monies is reflected below and is also included in the amounts shown on the Statements of Activities.

	2009	2008
State Food Purchase Program	\$ 330,191	\$ 364,989
Temporary Emergency Food Assistance Program	78,308	36,249
Federal Emergency Management Grant	93,695	91,861
	\$ 502,194	\$ 493,099

NOTE 8 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consists of the following at June 30, 2009 and 2008.

	2009	2008
Unconditional promises to give	\$ 474,326	\$ 498,267
Anonymous donaton	1,395,833	2,020,833
Other	23,054	12,415
	\$ 1,893,213	\$ 2,531,515
Discount to present value on promises to give	(2,806)	(23,188)
Allowance for uncollectible contributions	(11,000)	(25,000)
	\$ 1,879,407	\$ 2,483,327

Unconditional promises to give to the Food Bank have been pledged under a capital campaign. Contributions have been pledged through 2012. The pledges are measured at the present value of future cash flows using an observable input of the risk free rate of return which varies based on the pledged payment's anticipated collection

Second Harvest Food Bank of Northwest Pennsylvania, Inc.
Notes to Financial Statements
June 30, 2009 and 2008

date. Inputs of United States Treasury Securities used at June 30, 2009 varied from 0.51% to 2.71%. The discount rate used at June 30, 2008 was 5%. The effect of changes in interest rates between years and the amortization of the discount are recognized as a current year change in contribution revenue.

Contributions receivable in less than one year at June 30, 2009 total \$1,033,886. The balance of \$859,327 is receivable between June 30, 2010 and 2012.

The unamortized discount to present value at June 30, 2009 and 2008 is \$2,806 and \$23,188 respectively. Total cash amount expected to be received equals \$474,326 and \$498,267 for the years ended June 30, 2009 and 2008, respectively.

The Food Bank records an estimate of the value of bequests as a receivable upon notification of an amount by the representatives of the estate.

NOTE 9 – FAIR VALUE OF ASSETS

Assets measured at fair value on a recurring basis include the following at June 30, 2009 and 2008:

		<u>Fair Value Measurements at Reporting Date Using:</u>			
		2009	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments	\$	2,446,271	\$ 2,304,905	\$ -	\$ 141,366
Unconditional promises to give		474,326	-	474,326	-
	\$	<u>2,920,597</u>	<u>\$ 2,304,905</u>	<u>\$ 474,326</u>	<u>\$ 141,366</u>

		<u>Fair Value Measurements at Reporting Date Using:</u>			
		2008	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments	\$	2,907,677	\$ 2,907,677	\$ -	\$ -
Unconditional promises to give		498,267	-	498,267	-
	\$	<u>3,405,944</u>	<u>\$ 2,907,677</u>	<u>\$ 498,267</u>	<u>\$ -</u>

Second Harvest Food Bank of Northwest Pennsylvania, Inc.
Notes to Financial Statements
June 30, 2009 and 2008

The assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) consists of the investment with the Erie Community Foundation and had the following changes during the years ended June 30, 2009 and 2008:

	2009	2008
Beginning balance	\$ -	\$ -
Investment made during the year	187,500	-
Interest and dividends	4,723	-
Unrealized losses	(19,221)	-
Realized losses	(22,742)	-
Grants/Scholarships	(8,008)	-
Investment/management fees	(886)	-
	\$ 141,366	\$ -

NOTE 10 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2009 and 2008 consists of:

	2009	2008
Land	\$ 173,139	\$ 173,139
Land improvements	7,953	3,900
Building	3,581,842	3,569,695
Warehouse equipment	382,761	375,379
Office furniture and equipment	115,550	109,816
Vehicles	200,435	184,010
	\$ 4,461,680	\$ 4,415,939
Less: Accumulated depreciation	(475,510)	(313,128)
	\$ 3,986,170	\$ 4,102,811

Estimated useful lives are as follows:

Land improvements	15 years
Building	40 years
Warehouse equipment	5 - 10 years
Office furniture and equipment	3 - 8 years
Vehicles	3 - 5 years
Leasehold improvements	5 - 31 years

Grants received by the Food Bank have been used to purchase refrigerators and freezers for their agencies. The equipment is owned and depreciated by the Food Bank although it is not currently used in their operations. If the donee agency ceases to exist while the equipment is operational, the agencies have agreed to return this equipment. The carrying amount for these assets is \$23,238 and \$26,601 for the years ended June 30, 2009 and 2008, respectively. The Food Bank implies a time restriction that expires over the useful life of these donated assets.

Second Harvest Food Bank of Northwest Pennsylvania, Inc.
Notes to Financial Statements
June 30, 2009 and 2008

Interest incurred on bank debt during renovations completed on a building purchase during the year ended June 30, 2008 totals \$80,231 and has been capitalized and depreciated in the building renovations.

NOTE 11 – GRANTS ADVANCED AND DEFERRED

Grant money was expended and then retroactively approved in the subsequent fiscal year by certain programs. In addition, some grant money remained unspent at year end. Grants which were expended in advance and (deferred) at June 30, 2009 and 2008 consist of the following:

	2009	2008
State Food Purchase Program	\$ 7	\$ -
Federal Emergency Management Grant	13,913	(3,406)
Credit lines	(240)	(18)
Grants expended in advance (deferred)	\$ 13,680	\$ (3,424)

NOTE 12 – MORTGAGE PAYABLE

The Food Bank has an outstanding term loan from a local bank. The debt is secured by personal property, pledge of the investment account of \$1,553,000, and real property owned.

The loan bears interest at the 30-day LIBOR rate plus 1.6 percent. Current interest rate at June 30, 2009 and 2008 is 1.91125 and 3.981 percent, respectively. Repayment terms are interest only through June 2010 followed by a seven year term at a 22 year amortization. At June 30, 2009 and 2008, the Food Bank had outstanding \$1,893,449 and \$3,000,068, respectively.

Using year-end LIBOR, debt service is expected as follows:

	Interest	Principal	Total
2010	36,691	-	36,691
2011	36,078	69,720	105,798
2012	34,810	70,988	105,798
2013	33,327	72,471	105,798
2014	31,910	73,888	105,798
Thereafter	297,987	1,606,381	1,904,369

Obligations include a covenant to maintain total net assets of \$2,500,000 and cash flow to debt service of one time (1x). The food bank is in compliance with these covenants at June 30, 2009 and 2008.

Amounts charged to interest expense were \$82,722 and \$25,459 during the years ended June 30, 2009 and 2008, respectively. An additional paid \$80,231 was capitalized during renovations during the year ended June 30, 2008.

NOTE 13 - BOARD DESIGNATED RESERVE

During the year ended June 30, 2007, the Board of Directors designated \$1,200,000 as an endowment fund with the earnings, including dividends and appreciation, to be used for operations. Principal may be accessed by a majority vote of the Board of Directors. This reserve consists of an internal designation of their investment account and is in accord with current investment policy of the Food Bank. Net assets associated with funds designated by the Board to function as endowments are classified and reported based on the absence of donor-imposed restrictions as unrestricted designated net assets.

Second Harvest Food Bank of Northwest Pennsylvania, Inc.
Notes to Financial Statements
June 30, 2009 and 2008

Changes in allocated board-designated endowment net assets for the June 30, 2009 and 2008 are as follows:

	2009	2008
Balance at beginning of year	\$ 1,200,000	\$ 1,200,000
ALLOCATED INVESTMENT (LOSS) RETURN		
Investment income - interest and dividends	37,089	76,293
Realized (losses) gains on sales of investments	(74,891)	39,088
Net (depreciation) appreciation of investments	(180,035)	(115,184)
Fees	(6,054)	(6,673)
Total allocated loss	(223,891)	(6,477)
Amount provided by (used in) current operations	223,891	6,477
Balance at end of year	\$ 1,200,000	\$ 1,200,000

Return Objectives and Risk Parameters

The Board of Directors has adopted an investment policy for financial assets that attempts to support the long-term objectives of the Food Bank. The objectives include funding operational cash flow shortfalls, providing relative stability of principal, and maximizing total investment return. Under this policy, assets are to be invested in a manner that is intended to produce results that exceed the average minimum rate of return of the Consumer Price Index (CPI) +4% on total fund assets on an annualized basis over a market cycle, typically a three to five year period.

Strategies Employed for Achieving Objectives

In accordance with the objectives, the total portfolio should be constructed and maintained to minimize the risk of large losses to principal. To satisfy these objectives, the Food Bank has developed an allocation strategy to maximize total return while minimizing exposure of principal assets in the long run. The Organization targets a diversified asset allocation that places an equal emphasis on high quality fixed income and equity-based investments to achieve its objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Food Bank has a policy of appropriating for distribution each year any earnings, to include dividends and appreciation monies of its endowment fund for operations. In establishing this policy, the Organization considered the expected return on its endowment to produce results that exceed the average minimum rate of return of the Consumer Price Index (CPI) +4% on total fund assets on an annualized basis over a market cycle, typically a three to five year period. This is consistent with the organization's objective to fund operational cash flow shortfalls.

NOTE 14 - NEIGHBORHOOD ASSISTANCE GRANT

The Neighborhood Assistance Act Program is funded by contributions from businesses within Pennsylvania. Contributors receive Pennsylvania income tax credits of 55% of the valued contributed amount. The grant consists of both cash and in-kind contributions of food. Cash contributions were used to fund freight charges on food donations. Donated food eligible for this credit is included in total contributed food. Tax credits granted under the contract were \$200,000 and \$292,347 for the years ended June 30, 2009 and 2008, respectively.

Second Harvest Food Bank of Northwest Pennsylvania, Inc.
Notes to Financial Statements
June 30, 2009 and 2008

NOTE 15 - TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2009 and 2008, temporarily restricted net assets consist of:

	2009	2008
Food inventory	\$ 936,537	\$ 1,155,787
Capital campaign contributions unspent	120,000	70,000
Anonymous donation in future years	1,395,833	2,020,833
Specific grants restricted by donors	34,034	40,371
	\$ 2,486,404	\$ 3,286,991

NOTE 16 - CONTRIBUTED SERVICES

Contributed services which met the definition for recognition during the years ended June 30, 2009 and 2008 are largely comprised of discounted audit fees. Recognized contributed services total \$21,175 and \$3,455, for the years ended June 30, 2009 and 2008, respectively. Contributed services were used in administration of the food bank. The fair value of unrecognized services has not been determined.

NOTE 17 – PRIOR PERIOD ADJUSTMENT FOR CONDITIONAL PROMISES TO GIVE

During the year ended June 30, 2009 it was determined that contributions which were originally considered long-term unconditional promises to give were, in fact, contributions received under the Neighborhood Assistance Program (NAP). As such, they are conditionally pledged only if NAP credits are awarded each year. Conditional promises to give are not recognized in the financial statements. This retrospective reversal of unconditional promise to give resulted in the following restatements of asset and revenue amounts at June 30, 2008:

	Gross	Discount
ASSET RESTATEMENT		
Unconditional promises to give as originally reported	\$ 906,934	\$ (60,479)
Removal of conditional NAP contributions	(408,667)	37,291
Unconditional promises to give as restated	\$ 498,267	\$ (23,188)
 REVENUE RESTATEMENT		
Special project revenue as originally reported	\$ 1,174,591	
Removal of conditional NAP contributions	(371,376)	
Special project revenue as restated	\$ 803,215	

Second Harvest Food Bank of Northwest Pennsylvania, Inc.
Notes to Financial Statements
June 30, 2009 and 2008

The effect on net assets at June 30, 2008 is as follows:

	Total Net Assets	Unrestricted	Temporarily Restricted
Net Assets as originally reported	\$ 8,397,088	\$ 4,849,804	\$ 3,547,284
Capital campaign contribution restatement	(371,376)	-	(371,376)
Restatement of release of restrictions	-	(111,083)	111,083
Net Assets as restated	\$ 8,025,712	\$ 4,738,721	3,286,991

Promises to give which are conditional on the receipt of NAP credits total \$281,667 and \$408,667 for the years ended June 30, 2009 and 2008, respectively.

NOTE 18 – JOINT FUNDRAISING COSTS

Joint costs have been incurred in activities that include fundraising. Salaries have been allocated based on estimated percentage of time spent in fundraising activities. Total salaries with joint costs allocated to fundraising were as follows:

	2009	2008
Program services - food distribution	\$ -	\$ 50,504
Management and general	59,884	62,342
Fundraising	20,446	74,752
	\$ 80,330	\$ 187,598

NOTE 19 - RETIREMENT PLAN

The Food Bank maintains a profit-sharing plan which covers substantially all full-time employees. Under this plan the Board of Directors annually determines the amount of contribution. The contribution is based on a percentage of employees' salaries and wages with a maximum of fifteen percent and no minimum. Employees are fully vested within six years. As of June 30, 2009 and 2008, \$44,841 and \$67,631, respectively, in retirement contributions have been accrued which represents 10% of earned compensation for eligible employees. Changes affecting comparability is the timing of the employer contribution. June 30, 2008 amounts due include the full calendar 2007 year plus six months of 2008. The accrual is based on past practice of the Board, which has not yet determined a contribution percentage. During the years ended June 30, 2009 and 2008, profit sharing expense was \$39,647 and \$45,234, respectively, which represents 10% of eligible compensation.

NOTE 20 – RELATED PARTY TRANSACTIONS

The Vice President of a company which provides insurance to the Food Bank, directly and as an agent for carriers, is a board member. Amounts paid for insurance total \$31,542 and \$33,690 for the years ended June 30, 2009 and 2008, respectively.

Computer programming and consulting services are provided by a company which is owned by a Board Member. Amounts paid for computer consulting and processing total \$1,689 and \$3,802 for the years ended June 30, 2009 and 2008. In addition, a computer was purchased through this company during the year ended June 30, 2008 which had a purchase price of \$2,835.

Racking was purchased by a related board member's company during the year ended June 30, 2008 for a price of \$3,800. The book value of the racking was zero.

Second Harvest Food Bank of Northwest Pennsylvania, Inc.
Notes to Financial Statements
June 30, 2009 and 2008

Donated food is received from a company whose prior general manager is a board member. These donations qualified for Neighborhood Assistance Act Program credits. Food valued for these credits totaled \$24,308 and \$66,505 for the years ended June 30, 2009 and 2008, respectively. Credits received were 55% of contributions or \$13,369 and \$36,578 for the years ended June 30, 2009 and 2008, respectively. This board member is no longer associated with the donor company.

Board members and the executive director are included in contributions receivable for the net present value amount of \$24,559 and \$41,413 at June 30, 2009 and 2008, respectively. Total pledges from the board and executive director are \$74,200.

The transactions were consummated on terms similar to those in arms-length transactions.

NOTE 21 - CASH FLOW DISCLOSURES

A non-cash investing transaction for the year ended June 30, 2009 was the receipt of 100 shares of stock which were donated to the Food Bank with a fair market value of \$4,725.

Non-cash investing and financing transactions for the year ended June 30, 2008 include the purchase of renovations at the building which were financed with long-term debt in the amount of \$1,551,004.

In addition, 95 shares of stock were donated to the Food Bank with a fair market value of \$8,578.

NOTE 22 – RECLASSIFICATIONS

Certain items have been reclassified in the June 30, 2008 financial statements in order for them to conform to current year presentation. There was no effect on net assets or changes in net assets as a result of these reclassifications.

SUPPLEMENTAL INFORMATION

SECOND HARVEST FOOD BANK OF NORTHWEST PENNSYLVANIA, INC.

SCHEDULES OF SUPPORT AND REVENUE

For the Years Ended June 30, 2009 and 2008

	2009			
	Unrestricted	Temporarily Restricted		Total
		Donated Food	Other	
OPERATING REVENUE				
Service and Delivery Fees	\$ 529,357	\$ -	\$ -	\$ 529,357
Temporarily restricted contributions	-	-	9,282	9,282
Interest Earned	60,517	-	-	60,517
Dividends Earned - Investments	39,910	-	-	39,910
Donations	556,523	-	-	556,523
Fundraisers	3,895	-	-	3,895
N.A.P. Donations	183,000	-	-	183,000
TEFAP Reimbursement	78,308	-	-	78,308
CACFP Food Reimbursement	31,727	-	-	31,727
Administration Fee	63,641	-	-	63,641
Specific Grant	-	-	18,670	18,670
Miscellaneous Income	13,747	-	-	13,747
Professional Services Donated	21,175	-	-	21,175
Santo J. Scrimenti Memorial Fund	100	-	-	100
General Electric Fund	23,029	-	-	23,029
Vehicle Benefit	2,777	-	-	2,777
Shared VAP with other food banks	3,931	-	-	3,931
Wholesale Food	329,503	-	-	329,503
Food Purchases Revenue	27,385	-	-	27,385
TOTAL OPERATING REVENUE	\$ 1,968,525	\$ -	\$ 27,952	\$ 1,996,477
GRANT REVENUE				
State Grant	\$ 330,191	\$ -	\$ -	\$ 330,191
FEMA Grant	93,695	-	-	93,695
TEFAP Donated Food	-	522,273	-	522,273
N.A.P. In Kind Donations	-	180,636	-	180,636
TOTAL GRANT REVENUE	\$ 423,886	\$ 702,909	\$ -	\$ 1,126,795
DONATED FOOD AND NON-CASH DONATIONS				
Donated Food Received	\$ -	\$ 7,179,803	\$ -	\$ 7,179,803
Non-Cash Donations	16,850	-	-	16,850
TOTAL DONATED FOOD AND NON-CASH	\$ 16,850	\$ 7,179,803	\$ -	\$ 7,196,653
UNREALIZED /REALIZED GAINS AND LOSSES				
Unrealized (Loss) Gain	\$ (427,746)	\$ -	\$ -	\$ (427,746)
Gain on Sale of Investment	(192,717)	-	-	(192,717)
Loss on abandonment of property	-	-	-	-
TOTAL UNREALIZED/REALIZED GAINS/LOSSES	\$ (620,463)	\$ -	\$ -	\$ (620,463)
OTHER SUPPORT				
Special Project Revenue	\$ -	\$ -	\$ 450,353	\$ 450,353
Bequests, Dinner and Other Revenue	65,742	-	-	65,742
TOTAL OTHER SUPPORT	\$ 65,742	\$ -	\$ 450,353	\$ 516,095
TOTAL SUPPORT AND REVENUE	\$ 1,854,540	\$ 7,882,712	\$ 478,305	\$ 10,215,557

See independent auditors' report.

2008

Unrestricted	Temporarily Restricted		Total
	Donated Food	Other	
429,795	\$ -	\$ -	\$ 429,795
-	-	45,867	45,867
57,967	-	-	57,967
150,295	-	-	150,295
493,972	-	-	493,972
32,221	-	-	32,221
187,258	-	-	187,258
36,249	-	-	36,249
16,343	-	-	16,343
49,753	-	-	49,753
-	-	11,500	11,500
6,360	-	-	6,360
3,455	-	-	3,455
780	-	-	780
7,239	-	-	7,239
3,255	-	-	3,255
3,684	-	-	3,684
147,577	-	-	147,577
1,932	-	-	1,932
<u>\$ 1,628,135</u>	<u>\$ -</u>	<u>\$ 57,367</u>	<u>\$ 1,685,502</u>
\$ 364,989	\$ -	\$ -	\$ 364,989
91,861	-	-	91,861
-	189,932	-	189,932
-	344,284	-	344,284
<u>\$ 456,850</u>	<u>\$ 534,216</u>	<u>\$ -</u>	<u>\$ 991,066</u>
\$ -	\$ 7,926,024	\$ -	\$ 7,926,024
107,450	-	-	107,450
<u>\$ 107,450</u>	<u>\$ 7,926,024</u>	<u>\$ -</u>	<u>\$ 8,033,474</u>
\$ (305,340)	\$ -	\$ -	\$ (305,340)
103,937	-	-	103,937
(9,757)	-	-	(9,757)
<u>\$ (211,160)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (211,160)</u>
\$ -	\$ -	\$ 803,215	\$ 803,215
87,380	-	2,020,833	2,108,213
<u>\$ 87,380</u>	<u>\$ -</u>	<u>\$ 2,824,048</u>	<u>\$ 2,911,428</u>
<u>\$ 2,068,655</u>	<u>\$ 8,460,240</u>	<u>\$ 2,881,415</u>	<u>\$ 13,410,310</u>