



FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011



Alerding & Co., LLC

Consultants • Certified Public Accountants

SECOND HELPINGS, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Second Helpings, Inc.
Indianapolis, Indiana

We have audited the accompanying statements of financial position of Second Helpings, Inc. as of June 30, 2012 and 2011, and the related 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 management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. Generally Accepted Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 Helpings, Inc. as of June 30, 2012 and 2011, and the changes in net assets, cash flows and functional expenses for the years then ended, in conformity with U.S. Generally Accepted Accounting Principles.

Alerding & Co.

August 28, 2012

SECOND HELPINGS, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2012 AND 2011

	<u>ASSETS</u>	
	<u>2012</u>	<u>2011</u>
Current Assets:		
Cash and short-term investments	\$ 778,057	\$ 687,856
Accounts receivable	2,145	25,020
Grants receivable, current	70,500	141,266
Inventories	64,979	62,288
Prepaid expenses and other assets	<u>12,631</u>	<u>2,655</u>
Total current assets	<u>928,312</u>	<u>919,085</u>
Property and Equipment:		
Land	49,700	49,700
Building and improvements	2,299,185	1,840,528
Furniture and equipment	<u>1,070,439</u>	<u>709,135</u>
	3,419,324	2,599,363
Less accumulated depreciation	<u>920,171</u>	<u>950,684</u>
Property and equipment, net	2,499,153	1,648,679
Long-Term Grants Receivable	<u>10,000</u>	<u>25,000</u>
Total assets	<u>\$ 3,437,465</u>	<u>\$ 2,592,764</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Liabilities:		
Accounts payable	\$ 31,020	\$ 24,084
Accrued expenses	<u>29,882</u>	<u>17,647</u>
Total liabilities	<u>60,902</u>	<u>41,731</u>
Net Assets:		
Unrestricted net assets	3,225,429	2,335,372
Temporarily restricted net assets	<u>151,134</u>	<u>215,661</u>
Total net assets	<u>3,376,563</u>	<u>2,551,033</u>
Total liabilities and net assets	<u>\$ 3,437,465</u>	<u>\$ 2,592,764</u>

See accompanying Notes to Financial Statements.

SECOND HELPINGS, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Changes in Unrestricted Net Assets:		
Public support and revenues:		
Individual contributions	\$ 340,978	\$ 359,733
Corporate and government contributions and grants	849,887	563,758
Hunger relief expansion	895,464	-0-
In-kind contributions	<u>43,980</u>	<u>47,965</u>
Total public support and revenues	<u>2,130,309</u>	<u>971,456</u>
Program Revenue:		
Rescued food	2,921,794	2,719,664
Special events, net of \$113,277 and \$90,208 of expenses	125,720	91,865
Fee income	<u>18,964</u>	<u>27,472</u>
Total program revenues	<u>3,066,478</u>	<u>2,839,001</u>
Other Revenues:		
Investment income	1,237	10,279
Other income (expense), net	(39,468)	2,873
Net assets released from restrictions	<u>211,222</u>	<u>167,990</u>
Total other revenue	<u>172,991</u>	<u>181,142</u>
Total unrestricted support and revenues	<u>5,369,778</u>	<u>3,991,599</u>
Expenses:		
Program services:		
Food Rescue	379,499	331,943
Hunger Relief	3,201,623	2,941,916
Job Training	394,203	346,411
Serv-Safe	12,684	15,684
Supporting services:		
Management and general	290,024	273,380
Fundraising	<u>201,688</u>	<u>200,986</u>
Total operating expenses	<u>4,479,721</u>	<u>4,110,320</u>
Increase (decrease) in unrestricted net assets	<u>890,057</u>	<u>(118,721)</u>
Changes in Temporarily Restricted Net Assets:		
Public support and revenues	146,695	161,641
Net assets released from restrictions	<u>(211,222)</u>	<u>(167,990)</u>
Decrease in temporarily restricted net assets	<u>(64,527)</u>	<u>(6,349)</u>
Total increase (decrease) in net assets	825,530	(125,070)
Net Assets, Beginning of Year	<u>2,551,033</u>	<u>2,676,103</u>
Net Assets, End of Year	<u>\$ 3,376,563</u>	<u>\$ 2,551,033</u>

See accompanying Notes to Financial Statements.

SECOND HELPINGS, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2012 (WITH COMPARATIVE TOTALS FOR 2011)

	Program Services				Management and General	Fundraising	2012 Total	2011 Total
	Food Rescue	Hunger Relief	Job Training	Serv-Safe				
Labor and Benefits:								
Salaries	\$ 124,140	\$ 206,900	\$ 110,346	\$ -0-	\$ 158,623	\$ 89,656	\$ 689,665	\$ 598,563
Employee benefits	31,989	48,826	13,469	-0-	53,877	20,204	168,365	131,051
Payroll taxes and expense	<u>9,606</u>	<u>16,010</u>	<u>8,539</u>	<u>-0-</u>	<u>12,275</u>	<u>6,938</u>	<u>53,368</u>	<u>46,242</u>
Total labor and benefits	165,735	271,736	132,354	-0-	224,775	116,798	911,398	775,856
Other Expenses:								
Depreciation	23,765	48,718	22,577	-0-	19,012	4,753	118,825	96,509
Food donations to agencies	-0-	2,624,622	-0-	-0-	-0-	-0-	2,624,622	2,471,514
Food spoilage	88,344	114,848	91,289	-0-	-0-	-0-	294,481	238,883
Kitchen and general supplies	5,735	25,397	38,506	12,289	-0-	-0-	81,927	63,388
Insurance	13,196	12,741	13,196	-0-	3,185	3,185	45,503	41,392
Equipment and facility rent	178	15,149	178	-0-	2,139	178	17,822	724
Vehicle expenses	31,719	23,372	-0-	-0-	556	-0-	55,647	53,381
Postage	937	937	937	78	1,094	3,827	7,810	8,531
Printing	2,723	3,063	3,063	-0-	2,724	22,465	34,038	31,270
Public relations	-0-	426	212	-0-	-0-	20,637	21,275	20,125
Awards and recognition	982	1,474	17,439	-0-	1,228	3,439	24,562	16,038
Utilities	19,824	21,293	23,495	-0-	4,406	4,405	73,423	66,533
Repair and maintenance	18,972	28,909	23,489	-0-	9,938	9,034	90,342	96,572
Travel and entertainment	31	278	1,114	-0-	1,207	464	3,094	3,133
Seminars	950	1,469	4,492	-0-	1,728	-0-	8,639	7,588
Office supplies	1,106	1,521	1,521	-0-	1,246	1,521	6,915	4,059
Dues and subscriptions	1,745	2,062	3,173	317	2,381	6,187	15,865	10,906
Bank and finance charges	732	732	732	-0-	846	2,592	5,634	6,197
Professional fees	3,446	3,446	18,093	-0-	14,647	3,446	43,078	97,964
Miscellaneous	<u>(621)</u>	<u>(570)</u>	<u>(1,657)</u>	<u>-0-</u>	<u>(1,088)</u>	<u>(1,243)</u>	<u>(5,179)</u>	<u>(243)</u>
Total Expenses	<u>\$ 379,499</u>	<u>\$ 3,201,623</u>	<u>\$ 394,203</u>	<u>\$ 12,684</u>	<u>\$ 290,024</u>	<u>\$ 201,688</u>	<u>\$ 4,479,721</u>	<u>\$ 4,110,320</u>

See accompanying Notes to Financial Statements.

SECOND HELPINGS, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2011

	Program Services				Management and General	Fundraising	2011 Total
	Food Rescue	Hunger Relief	Job Training	Serv-Safe			
Labor and Benefits:							
Salaries	\$ 101,756	\$ 197,526	\$ 83,798	\$ -0-	\$ 119,713	\$ 95,770	\$ 598,563
Employee benefits	24,900	36,694	13,105	-0-	43,247	13,105	131,051
Payroll taxes and expense	7,861	15,260	6,474	-0-	9,248	7,399	46,242
Total labor and benefits	134,517	249,480	103,377	-0-	172,208	116,274	775,856
Other Expenses:							
Depreciation	17,372	31,848	19,302	-0-	25,093	2,894	96,509
Food donations to agencies	-0-	2,471,514	-0-	-0-	-0-	-0-	2,471,514
Food spoilage	79,628	79,627	79,628	-0-	-0-	-0-	238,883
Kitchen and general supplies	3,170	17,749	29,158	13,311	-0-	-0-	63,388
Insurance	12,004	8,692	12,832	-0-	5,381	2,483	41,392
Equipment and facility rent	145	145	145	-0-	145	144	724
Vehicle expenses	32,029	20,819	-0-	-0-	533	-0-	53,381
Postage	938	938	1,024	86	768	4,777	8,531
Printing	1,876	2,502	1,876	-0-	2,502	22,514	31,270
Public relations	403	403	201	-0-	200	18,918	20,125
Awards and recognition	642	962	11,387	-0-	802	2,245	16,038
Utilities	18,629	18,629	21,291	-0-	3,992	3,992	66,533
Repair and maintenance	22,212	28,972	28,972	-0-	8,691	7,725	96,572
Travel and entertainment	188	251	1,880	-0-	250	564	3,133
Seminars	1,214	1,214	2,352	-0-	911	1,897	7,588
Office supplies	731	731	1,055	-0-	771	771	4,059
Dues and subscriptions	1,418	1,636	1,636	327	2,290	3,599	10,906
Bank and finance charges	930	930	930	-0-	992	2,415	6,197
Professional fees	3,919	4,898	29,389	1,960	48,002	9,796	97,964
Miscellaneous	(22)	(24)	(24)	-0-	(151)	(22)	(243)
Total Expenses	\$ 331,943	\$ 2,941,916	\$ 346,411	\$ 15,684	\$ 273,380	\$ 200,986	\$ 4,110,320

See accompanying Notes to Financial Statements.

SECOND HELPINGS, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities:		
Increase (decrease) in net assets	\$ 825,530	\$ (125,070)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	118,825	96,509
Loss on disposal of assets	42,207	-0-
Donated investments	(31,444)	(5,027)
(Gain) loss on sale of investments, net	31	(75)
Changes in operating assets and liabilities:		
Accounts receivable	22,875	(20,275)
Grants receivable	85,766	70,744
Inventories	(2,691)	(9,267)
Prepaid expenses and other assets	(9,976)	(2,655)
Accounts payable and accrued expenses	19,171	20,893
Net cash provided by operating activities	<u>1,070,294</u>	<u>25,777</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(1,011,506)	(35,165)
Proceeds received from sale of investments	<u>31,413</u>	<u>5,102</u>
Net cash used in investing activities	<u>(980,093)</u>	<u>(30,063)</u>
Net increase (decrease) in cash and short-term investments	90,201	(4,286)
Cash and Short-Term Investments, Beginning of Year	<u>687,856</u>	<u>692,142</u>
Cash and Short-Term Investments, End of Year	<u>\$ 778,057</u>	<u>\$ 687,856</u>

See accompanying Notes to Financial Statements.

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

1. SIGNIFICANT ACCOUNTING POLICIES

SECOND HELPINGS, INC. (the “Organization”) is a not-for-profit organization committed to rescuing and distributing prepared and perishable food to those in need through established hunger relief programs, and in the process, educates and trains adults for positions in the culinary field. The Organization’s program services began in April 1998.

The total pounds of food rescued by the Organization was 1,872,905 and 1,731,739 for the years ended June 30, 2012 and 2011, respectively. The Organization distributed 678,079 and 655,572 meals for the years ended June 30, 2012 and 2011, respectively.

The significant accounting policies followed by the Organization in the preparation of its financial statements are summarized below:

Basis of Presentation

Net assets, support, revenue and expenses are classified based on the existence or absence of donor-imposed restrictions. Unrestricted assets are net assets not subject to donor-imposed restrictions and are, therefore, available to support the general operations of the Organization. Temporarily restricted net assets are net assets subject to donor-imposed restrictions related to specific projects or the passage of time.

Revenue Recognition and Accounts Receivable and Grants Receivable

Support and program revenues are reported as increases in unrestricted or temporarily restricted net assets based upon donor-imposed restrictions, if any. The Organization records donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support and program revenue. Contributions and grants are recognized when the donor makes an unconditional promise to give to the Organization either in writing or verbally.

Accounts receivable are reported at the amount invoiced, net of an allowance for doubtful accounts. The Organization, on a periodic basis, evaluates its accounts receivable and establishes an allowance for doubtful accounts based on past write-offs, collections, and current credit conditions.

Functional Expenses

Expenses are functionally classified as Program Services, Management and General, and Fundraising. Classifications are based on actual direct expenditures and cost allocations determined by estimates of time spent by Organization personnel.

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

Estimates

The preparation of financial statements in accordance with U.S. Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and notes to the financial statements. Actual results could differ from those estimates. Significant estimates made in preparation of the Organization's financial statements including collectibility of grants receivable, depreciation methods, useful lives of property and equipment, and the allocation of functional expenses.

Cash and Short-Term Investments

Cash and short-term investments represent cash invested in checking and savings accounts, money market accounts, and other short-term investments.

The Organization values its short-term investments at fair market value for financial reporting purposes. Short-term investments consist of donated stock which is temporarily held and sold. Realized holding gains and losses on such sales are reflected as a separate component in the statements of activities as increases or decreases in unrestricted net assets along with any dividend or interest income on cash accounts, unless their use is temporarily or permanently restricted. The Organization had a short-term investment in the amount of \$4,890 and \$5,027 at June 30, 2012 and 2011, respectively.

Inventories

Inventories include purchased and donated food and supply items. Donated food and supply items are recorded at fair market value at the date of donation and food and supplies that are purchased are recorded at cost. Inventory on hand is carried at the lower of cost or market with cost being determined using the specific identification method.

Property, Equipment and Depreciation

Purchased property and equipment are recorded at cost. Items donated are recorded at fair market value on the date of donation. Costs of improvements are capitalized and costs of repairs and maintenance are expensed as incurred. Depreciation is recorded over the estimated useful lives of the assets utilizing the straight-line method. The ranges of useful lives used by the Organization are as follows:

<u>Description</u>	<u>Ranges of Useful Lives</u>
Building and improvements	5-40 years
Furniture and equipment	3-15 years

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

In-Kind Contributions

The Organization receives in-kind donations and contributions from unrelated parties including various services provided free of charge or at a significant discount. Other services, including food preparation and fundraising, were performed by volunteers and are not included in the in-kind contributions.

Income Taxes

The Organization is exempt from Federal and state income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding state law. Accordingly, no provision has been made for Federal or state income taxes.

Management of the Organization evaluates all significant tax positions to ensure compliance with exempt purpose of the Organization as required by GAAP, including consideration of any unrelated business income tax. As of June 30, 2012, Management does not believe the Organization has taken any tax positions that are not in compliance with the exempt purpose of the Organization. The Organization's Federal and state tax returns remain open and subject to examination beginning with the calendar tax year ended June 30, 2009.

Subsequent Events

Subsequent events have been evaluated through August 28, 2012, which is the date the financial statements were available for issuance.

2. HUNGER RELIEF EXPANSION PROJECT

During 2012, the Organization raised \$895,464 for the Hunger Relief Expansion Project which included an expansion of the kitchen facilities and purchase of related equipment. The project was complete in January 2012. All funds raised designated for the Hunger Relief Expansion Project were expended during 2012.

For the year ended June 30, 2012, the Organization had received grants totaling \$708,136 (Note 3), individual and corporate contributions of \$87,047 and in-kind contributions totaling \$100,281 for the project.

3. GRANTS AND GRANTS RECEIVABLE

The Organization has recognized all material unconditional and conditional promises to give from granting authorities as grant revenue. Unconditional and conditional promises to give that are expected to be collected in future years are recorded at their net present value.

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

During 2012, the Organization received grants in the amount of \$708,136 toward its Hunger Relief Expansion Project (Note 2). For the year ended June 30, 2012 and 2011, the Organization received grants totaling \$609,123 and \$467,818, respectively for all other programs.

The Organization considers all grants receivable to be collectible and, therefore, no allowance for uncollectible grants receivable is recorded at June 30, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Less than one year	\$ 70,500	\$ 141,266
One to five years	<u>10,000</u>	<u>25,000</u>
	<u>\$ 80,500</u>	<u>\$ 166,266</u>

4. LINE OF CREDIT

The Organization has \$300,000 of available borrowings under a line of credit with a bank until May 2013, at which time it is subject to renewal. Borrowings under this facility bear interest at the daily LIBOR rate plus 4.0%. The line of credit is secured by substantially all assets of the Organization. There were no borrowings on the line of credit for the years ended June 30, 2012 and 2011, respectively.

5. RETIREMENT PLANS

The Organization maintains a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers all employees of the Organization who meet the age and hour requirements. Employees may make contributions with an elective matching or discretionary contribution by the Organization. An employee's contribution may not exceed the maximum amount allowed as determined by the Internal Revenue Code. The Organization's plan expense was \$5,505 and \$3,618 for the years ended June 30, 2012 and 2011, respectively.

6. NET ASSETS RELEASED FROM RESTRICTION

Net assets released from restrictions, due to the satisfaction of donor-imposed restrictions, totaled \$211,222 and \$167,990 for the years ended June 30, 2012 and 2011, respectively. The assets were used for various programs and events.

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

7. CONCENTRATION OF CREDIT RISK

Cash and Short-Term Investments

The Organization maintains its cash and short-term investments in bank deposit accounts which, at times, may exceed federally insured limits. The Organization had not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and short-term investments.