



FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018



SECOND HELPINGS, INC.

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JUNE 30, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Second Helpings, Inc.
Indianapolis, Indiana

We have audited the accompanying financial statements of Second Helpings, Inc., which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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, 2019 and 2018, and the changes in net assets, functional expenses, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Alending CPA Group

September 11, 2019

SECOND HELPINGS, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2019 AND 2018

	<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Current Assets:			
Cash and short-term investments		\$ 1,182,295	\$ 1,314,698
Investments - Legacy Fund		346,809	305,295
Accounts receivable		76,743	5,295
Grants receivable		244,097	128,200
Inventories		95,421	84,341
Prepaid expenses and other assets		21,637	18,717
Total current assets		<u>1,967,002</u>	<u>1,856,546</u>
Property and Equipment:			
Land		49,700	49,700
Building and improvements		2,487,852	2,455,199
Furniture and equipment		1,499,811	1,506,093
		<u>4,037,363</u>	<u>4,010,992</u>
Less accumulated depreciation		1,867,435	1,784,013
Property and equipment, net		2,169,928	2,226,979
Non-Current Grants Receivable		45,000	-0-
Endowment Investments		7,981,534	7,555,015
		<u>7,981,534</u>	<u>7,555,015</u>
Total assets		<u>\$ 12,163,464</u>	<u>\$ 11,638,540</u>
<u>LIABILITIES AND NET ASSETS</u>			
Current Liabilities:			
Accounts payable		\$ 77,201	\$ 48,680
Accrued expenses and other liabilities		69,954	61,687
Deferred revenue		20,000	-0-
Total current liabilities		167,155	110,367
Deferred Revenue		40,000	-0-
Total liabilities		<u>207,155</u>	<u>110,367</u>
Net Assets:			
Without donor restrictions:			
Undesignated		3,147,615	3,400,871
Designated by the Board		346,809	305,295
		<u>3,494,424</u>	<u>3,706,166</u>
With donor restrictions		8,461,885	7,822,007
Total net assets		<u>11,956,309</u>	<u>11,528,173</u>
Total liabilities and net assets		<u>\$ 12,163,464</u>	<u>\$ 11,638,540</u>

See accompanying Notes to Financial Statements.

SECOND HELPINGS, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	2019 <u>Total</u>	2018 <u>Total</u>
Public support and revenues:				
Individual contributions	\$ 1,025,881	\$ -0-	\$ 1,025,881	\$ 935,445
Corporate and government contributions and grants	869,812	309,000	1,178,812	1,030,709
Special events	482,435	-0-	482,435	447,144
Special events - in-kind	248,396	-0-	248,396	226,307
In-kind contributions - operations	37,935	-0-	37,935	60,330
Total public support and revenues	<u>2,664,459</u>	<u>309,000</u>	<u>2,973,459</u>	<u>2,699,935</u>
Program Revenue:				
Rescued food	4,774,766	-0-	4,774,766	4,468,060
Fee income	116,622	-0-	116,622	97,815
Total program revenues	<u>4,891,388</u>	<u>-0-</u>	<u>4,891,388</u>	<u>4,565,875</u>
Other Revenues:				
Other income (expense), net	<u>(29,724)</u>	<u>-0-</u>	<u>(29,724)</u>	<u>3,237</u>
Net Assets Released from Donor Restrictions	<u>301,908</u>	<u>(301,908)</u>	<u>-0-</u>	<u>-0-</u>
Total support and revenues	<u>7,828,031</u>	<u>7,092</u>	<u>7,835,123</u>	<u>7,269,047</u>
Expenses:				
Program services:				
Food Rescue	385,124	-0-	385,124	380,625
Hunger Relief	5,468,502	-0-	5,468,502	5,123,159
Job Training	721,485	-0-	721,485	697,167
Total program services	6,575,111	-0-	6,575,111	6,200,951
Supporting services:				
Management and general	271,365	-0-	271,365	256,825
Fundraising	629,384	-0-	629,384	598,005
Fundraising - in-kind	248,396	-0-	248,396	226,307
Total expenses	<u>7,724,256</u>	<u>-0-</u>	<u>7,724,256</u>	<u>7,282,088</u>
Change in net assets from operations	103,775	7,092	110,867	(13,041)
Interest and Investment Income, Net	<u>27,730</u>	<u>289,539</u>	<u>317,269</u>	<u>526,696</u>
Change in net assets	131,505	296,631	428,136	513,655
Net Assets, Beginning of Year	3,706,166	7,822,007	11,528,173	11,014,518
Interfund Transfer	<u>(343,247)</u>	<u>343,247</u>	<u>-0-</u>	<u>-0-</u>
Net Assets, End of Year	<u>\$ 3,494,424</u>	<u>\$ 8,461,885</u>	<u>\$ 11,956,309</u>	<u>\$ 11,528,173</u>

See accompanying Notes to Financial Statements.

SECOND HELPINGS, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2018

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Public support and revenues:			
Individual contributions	\$ 935,445	\$ -0-	\$ 935,445
Corporate and government contributions and grants	833,209	197,500	1,030,709
Special events	447,144	-0-	447,144
Special events - in-kind	226,307	-0-	226,307
In-kind contributions - operations	60,330	-0-	60,330
Total public support and revenues	<u>2,502,435</u>	<u>197,500</u>	<u>2,699,935</u>
Program Revenue:			
Rescued food	4,468,060	-0-	4,468,060
Fee income	97,815	-0-	97,815
Total program revenues	<u>4,565,875</u>	<u>-0-</u>	<u>4,565,875</u>
Other Revenues:			
Other income (expense), net	<u>3,237</u>	<u>-0-</u>	<u>3,237</u>
Net Assets Released from Donor Restrictions	<u>327,395</u>	<u>(327,395)</u>	<u>-0-</u>
Total support and revenues	<u>7,398,942</u>	<u>(129,895)</u>	<u>7,269,047</u>
Expenses:			
Program services:			
Food Rescue	380,625	-0-	380,625
Hunger Relief	5,123,159	-0-	5,123,159
Job Training	697,167	-0-	697,167
Total program services	6,200,951	-0-	6,200,951
Supporting services:			
Management and general	256,825	-0-	256,825
Fundraising	598,005	-0-	598,005
Fundraising - in-kind	226,307	-0-	226,307
Total expenses	<u>7,282,088</u>	<u>-0-</u>	<u>7,282,088</u>
Change in net assets from operations	116,854	(129,895)	(13,041)
Interest and Investment Income, Net	<u>26,948</u>	<u>499,748</u>	<u>526,696</u>
Change in net assets	143,802	369,853	513,655
Net Assets, Beginning of Year	<u>3,562,364</u>	<u>7,452,154</u>	<u>11,014,518</u>
Net Assets, End of Year	<u>\$ 3,706,166</u>	<u>\$ 7,822,007</u>	<u>\$ 11,528,173</u>

See accompanying Notes to Financial Statements.

SECOND HELPINGS, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

	Program Services			Management and General	Fundraising	2019 Total	2018 Total
	Food Rescue	Hunger Relief	Job Training				
Labor and Benefits:							
Salaries	\$ 180,671	\$ 333,452	\$ 221,897	\$ 153,994	\$ 322,540	\$ 1,212,554	\$ 1,136,807
Employee benefits	36,083	69,671	43,817	35,968	61,658	247,197	250,828
Payroll taxes and expense	14,654	26,400	22,564	12,237	25,523	101,378	92,346
Total labor and benefits	231,408	429,523	288,278	202,199	409,721	1,561,129	1,479,981
Other Expenses:							
Food donations to agencies	-0-	4,017,441	74,444	-0-	-0-	4,091,885	3,949,994
Food spoilage and tare	-0-	638,210	33,590	-0-	-0-	671,800	537,857
Special events	-0-	-0-	-0-	-0-	344,473	344,473	318,346
Depreciation	35,752	113,890	31,850	5,415	8,637	195,544	191,263
Kitchen and general supplies	6,965	57,764	76,731	1,403	3,931	146,794	164,917
Utilities	21,521	52,459	26,793	6,862	9,027	116,662	109,377
Repair and maintenance	20,142	86,602	41,325	10,624	21,774	180,467	142,498
Professional fees	972	2,811	39,108	17,241	1,918	62,050	78,411
Insurance	11,913	24,601	9,186	8,592	7,029	61,321	56,121
Vehicle expenses	41,605	14,215	-0-	-0-	270	56,090	49,665
Dues and subscriptions	2,599	4,306	3,313	1,788	17,530	29,536	35,464
Awards and recognition	2,712	6,794	23,037	4,225	2,321	39,089	53,035
Printing	2,862	5,558	5,315	4,239	13,572	31,546	30,497
Security	2,831	7,510	4,084	911	972	16,308	15,840
Seminars	259	400	31,794	967	9,437	42,857	26,882
Public relations	1,251	1,211	28,101	1,110	7,933	39,606	13,625
Travel and entertainment	14	1,100	1,931	386	1,022	4,453	2,874
Bank and finance charges	839	836	839	3,158	10,450	16,122	14,099
Postage	820	1,139	798	872	6,513	10,142	7,993
Office supplies	433	1,645	717	1,255	1,071	5,121	3,178
Miscellaneous	7	-0-	-0-	25	-0-	32	50
Equipment and facility rent	219	487	251	93	179	1,229	121
Total expenses	<u>\$ 385,124</u>	<u>\$ 5,468,502</u>	<u>\$ 721,485</u>	<u>\$ 271,365</u>	<u>\$ 877,780</u>	<u>\$ 7,724,256</u>	<u>\$ 7,282,088</u>

See accompanying Notes to Financial Statements.

SECOND HELPINGS, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2018

	Program Services			Management and General	Fundraising	Total
	Food Rescue	Hunger Relief	Job Training			
Labor and Benefits:						
Salaries	\$ 169,742	\$ 292,767	\$ 218,727	\$ 146,846	\$ 308,725	\$ 1,136,807
Employee benefits	39,721	60,890	51,390	37,251	61,576	250,828
Payroll taxes and expense	13,449	25,145	17,286	11,752	24,714	92,346
Total labor and benefits	222,912	378,802	287,403	195,849	395,015	1,479,981
Other Expenses:						
Food donations to agencies	-0-	3,874,048	75,946	-0-	-0-	3,949,994
Food spoilage and tare	-0-	510,964	26,893	-0-	-0-	537,857
Special events	-0-	-0-	-0-	-0-	318,346	318,346
Depreciation	38,306	110,966	29,772	4,573	7,646	191,263
Kitchen and general supplies	7,473	63,704	90,888	1,211	1,641	164,917
Utilities	21,362	45,725	27,905	5,717	8,668	109,377
Repair and maintenance	20,815	66,333	35,371	7,049	12,930	142,498
Professional fees	4,428	4,893	41,055	18,804	9,231	78,411
Insurance	14,130	18,581	9,335	7,858	6,217	56,121
Vehicle expenses	33,303	16,362	-0-	-0-	-0-	49,665
Dues and subscriptions	4,475	7,400	6,779	4,510	12,300	35,464
Awards and recognition	3,784	7,065	21,330	3,514	17,342	53,035
Printing	3,178	5,940	3,853	2,160	15,366	30,497
Security	2,914	6,827	4,372	761	966	15,840
Seminars	119	247	23,352	1,300	1,864	26,882
Public relations	1,123	1,272	8,918	1,023	1,289	13,625
Travel and entertainment	12	730	1,599	191	342	2,874
Bank and finance charges	992	991	992	992	10,132	14,099
Postage	925	1,274	966	691	4,137	7,993
Office supplies	355	991	417	610	805	3,178
Miscellaneous	-0-	-0-	-0-	-0-	50	50
Equipment and facility rent	19	44	21	12	25	121
Total expenses	<u>\$ 380,625</u>	<u>\$ 5,123,159</u>	<u>\$ 697,167</u>	<u>\$ 256,825</u>	<u>\$ 824,312</u>	<u>\$ 7,282,088</u>

See accompanying Notes to Financial Statements.

SECOND HELPINGS, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 428,136	\$ 513,655
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	195,544	191,263
Donated equipment	-0-	(12,375)
Net realized and unrealized gains on investments	(319,059)	(540,385)
Loss on disposal of property and equipment	33,921	-0-
Contributions to investments	(62,482)	(76,389)
Changes in operating assets and liabilities:		
Accounts receivable	(71,448)	5,325
Grants receivable	(160,897)	(9,494)
Inventories	(11,080)	19,790
Prepaid expenses and other assets	(2,920)	(2,524)
Accounts payable	28,521	4,788
Accrued expenses and other liabilities	8,267	(55)
Deferred revenue	60,000	-0-
Net cash provided by operating activities	<u>126,503</u>	<u>93,599</u>
Cash Flows from Investing Activities:		
Proceeds from sale of property and equipment	29,814	-0-
Purchase of property and equipment	(202,228)	(107,262)
Proceeds from sale of investments	92,558	298,376
Purchase of investments	(179,050)	(59,171)
Net cash provided by (used in) investing activities	<u>(258,906)</u>	<u>131,943</u>
Net increase (decrease) in cash and short-term investments	(132,403)	225,542
Cash and Short-Term Investments, Beginning of Year	<u>1,314,698</u>	<u>1,089,156</u>
Cash and Short-Term Investments, End of Year	<u>\$ 1,182,295</u>	<u>\$ 1,314,698</u>

See accompanying Notes to Financial Statements.

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

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 were 2,553,378 and 2,389,374 for the years ended June 30, 2019 and 2018, respectively. The Organization distributed 1,077,959 and 988,895 meals for the years ended June 30, 2019 and 2018, respectively.

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

Change in Accounting Principle

During 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14, *Not-For-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-For-Profit Entities*. The update addresses the financial reporting complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment returns for not-for-profit organizations. As required by the update, the Organization retrospectively adopted the standard during 2019 and has conformed to the new presentation in the financial statements for all periods presented herein.

Basis of Presentation

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions:

Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net asset funds to protect the Organization's long-term viability due to volatility in funding resources.

Net Assets With Donor Restrictions:

Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

Revenue Recognition and Accounts Receivable and Grants Receivable

Support and program revenues are reported as increases in net assets with or without donor restrictions based upon whether the donor has imposed any restrictions. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions are met in the same reporting period in which the revenue is recognized. Contributions and grants are recognized when the donor makes an unconditional promise to give to the Organization either in writing or verbally. Conditional promises to give are not included as support until the conditions are substantially met. Unconditional and conditional promises to give that are expected to be collected in future years are recorded at their net present value.

Accounts receivable are reported at the amount invoiced. Grants receivable consist of amounts that have been unconditionally promised or due from performance-based service contracts where the services have been performed. Grants receivable are supported by written grant agreements and are stated at the amount billed or expected to be collected. The Organization, on a periodic basis, evaluates its accounts receivable and grants receivable and establishes an allowance for doubtful accounts based on past write-offs, collections, and current credit conditions. There was no allowance for doubtful accounts as of June 30, 2019 and 2018.

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. The Organization's occupancy related expenses are allocated to program areas based on actual direct expenditures and cost allocations based on square footage of the Organization's office building and headcount.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") 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 include collectability of accounts and grants receivable, useful lives of property and equipment, the allocation of functional expenses, and the fair value of assets measured by Level 3 inputs.

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 measured by a Level 1 input (Note 3) in accordance with U.S. GAAP.

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

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 and changes in net assets as increases or decreases in net assets without donor restrictions along with any dividend or interest income on cash accounts unless their use is restricted. The Organization had no short-term investments at June 30, 2019 and 2018.

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 net realizable value 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 as of 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

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 the exempt purpose of the Organization as required by U.S. GAAP, including consideration of any unrelated business income tax. As of June 30, 2019, 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, 2016.

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

Subsequent Events

Subsequent events have been evaluated through September 11, 2019, which is the date the financial statements were available for issuance.

2. LIQUIDITY AND AVAILABILITY

At June 30, 2019 and 2018, financial assets available for future general expenditures within one year from the Statements of Financial Position comprise the following:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and short-term investments	\$ 1,182,295	\$ 1,314,698
Investments - Legacy Fund	346,809	305,295
Accounts receivable	76,743	5,295
Grants receivable	289,097	128,200
Endowment investments	<u>7,981,534</u>	<u>7,555,015</u>
	<u>9,876,478</u>	<u>9,308,503</u>
Less amounts not available to be used for general expenditures within one year:		
Non-current grants receivable	(45,000)	-0-
Donor restricted funds	(480,352)	(266,995)
Donor restricted endowment	(7,981,534)	(7,555,015)
Board Designated investments - Legacy Fund	<u>(346,809)</u>	<u>(305,295)</u>
	<u>(8,853,695)</u>	<u>(8,127,305)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,022,783</u>	<u>\$ 1,181,198</u>

The Organization is supported by restricted contributions. Donor restrictions require resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available for its general expenditures, liabilities, and other obligations as they come due.

Investment income from the donor restricted endowment is classified within donor restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act ("UPMIFA").

The Organization's investment portfolio consists of highly liquid investments.

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

The Organization maintains adequate liquid assets to fund near-term operating needs and maintains sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. In the event of an unanticipated liquidity need, the Organization has available borrowings of \$640,000 (\$300,000 at June 30, 2018) on the line of credit (Note 7). In addition, the Organization's board designated investments may be utilized to meet current obligations at the discretion of the Board of Directors.

3. GRANTS RECEIVABLE

The Organization recognizes all material unconditional promises to give and conditional promises under cost reimbursement basis as revenues. Promises to give that are expected to be collected in future years are recorded at their net present value.

Grants receivable at June 30, 2019 and 2018 are due as follows:

	<u>2019</u>	<u>2018</u>
Less than one year	\$ 244,097	\$ 128,200
One to five years	45,000	-0-
	<u>\$ 289,097</u>	<u>\$ 128,200</u>

For the years ended June 30, 2019 and 2018, the Organization received grants totaling \$748,895 and \$716,102, respectively, for all programs.

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

4. FAIR VALUE MEASUREMENTS

U.S. GAAP defines fair value 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. U.S. GAAP also establishes a fair value hierarchy, which requires the Organization to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following three levels are defined by U.S. GAAP as a means of measuring fair value:

Level 1

Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2

Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3

Unobservable inputs reflecting the entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Assets measured at fair value at June 30, 2019 and 2018 included investments aggregating \$8,328,343 and \$7,860,310, respectively.

Investments are reported as Level 3 assets and represent the Organization's pro rata interest in the Central Indiana Community Foundation ("CICF") pooled investment funds. These investments are valued at fair value as reported by CICF. CICF invests in fixed income, equities, private equity, money market and other investments.

The Organization transferred \$165,963 and \$-0- of assets measured using Level 1 inputs into assets measured using Level 3 inputs during the years ended June 30, 2019 and 2018, respectively.

The Organization transferred \$-0- and \$136,980 of assets measured using Level 3 inputs into assets measured using Level 1 inputs during the years ended June 30, 2019 and 2018, respectively.

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

5. INVESTMENTS

The Organization's investments at June 30, 2019 and 2018 were all held at CICF.

Interest and investment income and its classification in the Statements of Activities and Changes in Net Assets for the years ended June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Endowment investment return:		
Interest and dividend income	\$ 40,018	\$ 56,874
Net realized gains	209,809	305,771
Net unrealized gains	96,058	213,634
Administrative expenses	<u>(56,346)</u>	<u>(76,531)</u>
	<u>289,539</u>	<u>499,748</u>
Investment - Legacy Fund return:		
Interest and dividend income	1,709	2,297
Net realized gains	8,963	12,351
Net unrealized gains	4,229	8,629
Administrative expenses	<u>(2,370)</u>	<u>(3,092)</u>
	12,531	20,185
Other interest income	<u>15,199</u>	<u>6,763</u>
	<u>27,730</u>	<u>26,948</u>
	<u>\$ 317,269</u>	<u>\$ 526,696</u>

6. ENDOWMENT FUND

The Organization's donor-designated endowment consists of one fund established to support the activities of the Organization. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization held in perpetuity: (a) the original value of gifts donated to the endowment; and (b) the original value of subsequent gifts to the endowment.

The remaining portion of the donor-restricted endowment fund that is not held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the Organization and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Organization;
- The investment policies of the Organization.

Funds with Deficiencies

From time to time, donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no material deficiencies as of June 30, 2019 and 2018.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the Organization while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce long-term appreciation of the principal and generate income while ensuring the safety of the principal at all times. The Organization expects its endowment funds, over time, to provide a net real return (after fees and inflation) commensurate with the mix of the portfolio relative to market returns. Actual returns in any given year may vary from this expectation.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies primarily on the investment strategy of CICF.

Spending Policy and How the Investment Objective Relates to Spending Policy

On May 20, 2019, the Organization adopted a spending policy based on a predetermined calculation to moderate the impact of market fluctuations on annual withdrawals within an acceptable spending range of 2 – 6%, with a target spending rate of 4%.

Whenever the endowment fund balance on a valuation date is equal to or less than the historic gift value, the maximum spending from the endowment fund for the next fiscal year shall be 2% of the endowment fund balance. This maximum spending limit shall continue until the endowment fund balance on a future valuation date exceeds the historic gift value.

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

Whenever the endowment fund balance on a valuation date is greater than the historic gift value, the Organization may spend any percentage or amount of the endowment fund balance; provided, however, that such spending would not cause the endowment fund to fall below the historic gift value. At which time the Organization would be limited to the greater of the excess of the endowment fund balance on the valuation date over the historic gift value or 2% of the endowment fund balance on the valuation date.

In establishing this policy, the Organization considered its desire to be flexible in providing support to the Organization while maintaining a balance in the investment account. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional growth and investment return.

Endowment net assets at June 30, 2019 and 2018 include the following:

	<u>2019</u>	<u>2018</u>
Historic gift value	\$ 6,849,000	\$ 6,849,000
Accumulated earnings	<u>706,015</u>	<u>343,247</u>
Endowment net assets, beginning of year	<u>7,555,015</u>	<u>7,192,247</u>
Additions to endowment	136,980	-0-
Withdrawals from endowment	-0-	(136,980)
Interest and dividends, net of fees	(16,328)	(19,657)
Realized gains	209,809	305,771
Unrealized gains	<u>96,058</u>	<u>213,634</u>
Change in endowment net assets	<u>426,519</u>	<u>362,768</u>
Endowment net assets, end of year	<u>\$ 7,981,534</u>	<u>\$ 7,555,015</u>
Historic gift value	\$ 6,849,000	\$ 6,849,000
Accumulated earnings	<u>1,132,534</u>	<u>706,015</u>
Endowment net assets, end of year	<u>\$ 7,981,534</u>	<u>\$ 7,555,015</u>

7. LINE OF CREDIT

The Organization has \$640,000 (\$300,000 as of June 30, 2018) of available borrowings under a line of credit with a bank which is subject to renewal annually in the month of May. Borrowings under this facility bear interest at the bank's prime lending rate plus 0.3% (5.8% at June 30, 2019). 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, 2019 and 2018.

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

8. 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 \$8,229 and \$6,212 for the years ended June 30, 2019 and 2018, respectively.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Hunger Relief	\$ 224,000	\$ 54,330
Philanthropic capacity	119,892	257,970
Job training	73,000	97,500
Infrastructure investments	<u>63,459</u>	<u>63,459</u>
	<u>480,351</u>	<u>473,259</u>
Endowment:		
Held in perpetuity	6,849,000	6,849,000
Endowment earnings	<u>1,132,534</u>	<u>499,748</u>
	<u>7,981,534</u>	<u>7,348,748</u>
Total net assets with donor restrictions	<u>\$ 8,461,885</u>	<u>\$ 7,822,007</u>

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by the donors. Donor restricted funds of \$301,908 and \$327,395 were released from donor restrictions during the years ended June 30, 2019 and 2018, respectively.

10. 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.

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

Grants Receivable and Grant Revenue

At June 30, 2019 and for the year then ended, 81% of grants receivable were from two (2) grantors and 52% of grant revenues were from two (2) grantors. Grant revenues represent 10% of total public support and revenues.

At June 30, 2018 and for the year then ended, 92% of grants receivable were from two (2) grantors and 62% of grant revenues were from four (4) grantors.