



FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019



SECOND HELPINGS, INC.

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JUNE 30, 2020 AND 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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

October 7, 2020

SECOND HELPINGS, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2020 AND 2019

	<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Current Assets:			
Cash and short-term investments		\$ 3,458,174	\$ 1,182,295
Investments - Legacy Fund		335,234	346,809
Accounts receivable		40,180	76,743
Grants receivable		1,062,942	244,097
Inventories		208,851	95,421
Prepaid expenses and other assets		51,194	21,637
Total current assets		5,156,575	1,967,002
Property and Equipment, Net		2,479,504	2,169,928
Non-Current Grants Receivable		20,000	45,000
Endowment Investments		7,726,482	7,981,534
Total assets		<u>\$ 15,382,561</u>	<u>\$ 12,163,464</u>
<u>LIABILITIES AND NET ASSETS</u>			
Current Liabilities:			
Current maturities of note payable		\$ 113,923	\$ -0-
Accounts payable		103,802	77,201
Accrued expenses and other liabilities		47,114	69,954
Deferred revenue		20,000	20,000
Total current liabilities		284,839	167,155
Note Payable		182,727	-0-
Deferred Revenue		20,000	40,000
Total liabilities		<u>487,566</u>	<u>207,155</u>
Net Assets:			
Without donor restrictions:			
Undesignated		5,103,854	3,147,615
Designated by the Board		335,234	346,809
		5,439,088	3,494,424
With donor restrictions		9,455,907	8,461,885
Total net assets		<u>14,894,995</u>	<u>11,956,309</u>
Total liabilities and net assets		<u>\$ 15,382,561</u>	<u>\$ 12,163,464</u>

See accompanying Notes to Financial Statements.

SECOND HELPINGS, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	2020 <u>Total</u>	2019 <u>Total</u>
Public support and revenues:				
Individual contributions	\$ 2,219,108	\$ -0-	\$ 2,219,108	\$ 1,025,881
Corporate and government contributions and grants	1,759,575	2,407,500	4,167,075	1,178,812
Special events	479,378	-0-	479,378	482,435
Special events - in-kind	149,504	-0-	149,504	248,396
In-kind contributions - operations	2,039,119	-0-	2,039,119	37,935
Total public support and revenues	<u>6,646,684</u>	<u>2,407,500</u>	<u>9,054,184</u>	<u>2,973,459</u>
Program Revenue:				
Rescued food	5,593,970	-0-	5,593,970	4,774,766
Fee income	89,032	-0-	89,032	116,622
Total program revenues	<u>5,683,002</u>	<u>-0-</u>	<u>5,683,002</u>	<u>4,891,388</u>
Other Revenues:				
Other income (expense), net	3,782	-0-	3,782	(29,724)
Net Assets Released from Donor Restrictions	<u>1,428,472</u>	<u>(1,428,472)</u>	<u>-0-</u>	<u>-0-</u>
Total support and revenues	<u>13,761,940</u>	<u>979,028</u>	<u>14,740,968</u>	<u>7,835,123</u>
Expenses:				
Program services:				
Food Rescue	456,474	-0-	456,474	385,124
Hunger Relief	9,582,747	-0-	9,582,747	5,468,502
Job Training	742,824	-0-	742,824	721,485
Total program services	10,782,045	-0-	10,782,045	6,575,111
Supporting services:				
Management and general	315,993	-0-	315,993	271,365
Fundraising	576,296	-0-	576,296	629,384
Fundraising - in-kind	149,504	-0-	149,504	248,396
Total expenses	<u>11,823,838</u>	<u>-0-</u>	<u>11,823,838</u>	<u>7,724,256</u>
Change in net assets from operations	1,938,102	979,028	2,917,130	110,867
Interest and Investment Income, Net	<u>6,562</u>	<u>14,994</u>	<u>21,556</u>	<u>317,269</u>
Change in net assets	1,944,664	994,022	2,938,686	428,136
Net Assets, Beginning of Year	<u>3,494,424</u>	<u>8,461,885</u>	<u>11,956,309</u>	<u>11,528,173</u>
Net Assets, End of Year	<u>\$ 5,439,088</u>	<u>\$ 9,455,907</u>	<u>\$ 14,894,995</u>	<u>\$ 11,956,309</u>

See accompanying Notes to Financial Statements.

SECOND HELPINGS, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2019

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Public support and revenues:			
Individual contributions	\$ 1,025,881	\$ -0-	\$ 1,025,881
Corporate and government contributions and grants	869,812	309,000	1,178,812
Special events	482,435	-0-	482,435
Special events - in-kind	248,396	-0-	248,396
In-kind contributions - operations	37,935	-0-	37,935
Total public support and revenues	<u>2,664,459</u>	<u>309,000</u>	<u>2,973,459</u>
Program Revenue:			
Rescued food	4,774,766	-0-	4,774,766
Fee income	116,622	-0-	116,622
Total program revenues	<u>4,891,388</u>	<u>-0-</u>	<u>4,891,388</u>
Other Revenues:			
Other income (expense), net	<u>(29,724)</u>	<u>-0-</u>	<u>(29,724)</u>
Net Assets Released from Donor Restrictions	<u>301,908</u>	<u>(301,908)</u>	<u>-0-</u>
Total support and revenues	<u>7,828,031</u>	<u>7,092</u>	<u>7,835,123</u>
Expenses:			
Program services:			
Food Rescue	385,124	-0-	385,124
Hunger Relief	5,468,502	-0-	5,468,502
Job Training	721,485	-0-	721,485
Total program services	6,575,111	-0-	6,575,111
Supporting services:			
Management and general	271,365	-0-	271,365
Fundraising	629,384	-0-	629,384
Fundraising - in-kind	248,396	-0-	248,396
Total expenses	<u>7,724,256</u>	<u>-0-</u>	<u>7,724,256</u>
Change in net assets from operations	103,775	7,092	110,867
Interest and Investment Income, Net	<u>27,730</u>	<u>289,539</u>	<u>317,269</u>
Change in net assets	131,505	296,631	428,136
Net Assets, Beginning of Year	3,706,166	7,822,007	11,528,173
Interfund Transfer	<u>(343,247)</u>	<u>343,247</u>	<u>-0-</u>
Net Assets, End of Year	<u>\$ 3,494,424</u>	<u>\$ 8,461,885</u>	<u>\$ 11,956,309</u>

See accompanying Notes to Financial Statements.

SECOND HELPINGS, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

	Program Services			Management and General	Fundraising	2020 Total	2019 Total
	Food Rescue	Hunger Relief	Job Training				
Labor and Benefits:							
Salaries	\$ 221,816	\$ 410,043	\$ 270,643	\$ 188,334	\$ 304,124	\$ 1,394,960	\$ 1,212,554
Employee benefits	41,827	78,605	51,620	41,915	59,822	273,789	247,197
Payroll taxes and expense	17,640	33,070	26,453	14,937	24,186	116,286	101,378
Total labor and benefits	281,283	521,718	348,716	245,186	388,132	1,785,035	1,561,129
Other Expenses:							
Food donations to agencies	-0-	4,558,684	60,691	-0-	-0-	4,619,375	4,091,885
Vendor meals	-0-	3,213,448	-0-	-0-	-0-	3,213,448	-0-
Food spoilage and tare	-0-	830,264	30,902	-0-	-0-	861,166	671,800
Special events	-0-	-0-	-0-	-0-	194,238	194,238	344,473
Depreciation	34,193	101,801	38,331	9,419	17,071	200,815	195,544
Kitchen and general supplies	5,640	151,388	68,277	1,197	1,189	227,691	146,794
Utilities	24,267	49,860	26,658	6,597	8,150	115,532	116,662
Repair and maintenance	20,451	72,255	43,763	9,065	14,928	160,462	180,467
Professional fees	936	3,978	29,446	15,589	5,988	55,937	62,050
Insurance	14,564	26,249	9,836	9,150	6,075	65,874	61,321
Vehicle expenses	59,373	19,829	-0-	-0-	728	79,930	56,090
Dues and subscriptions	3,349	5,822	4,457	7,390	33,526	54,544	29,536
Awards and recognition	2,005	4,270	21,680	2,259	2,694	32,908	39,089
Printing	3,569	8,368	3,558	2,353	14,361	32,209	31,546
Security	4,377	9,877	5,642	1,238	1,348	22,482	16,308
Seminars	297	549	31,560	1,548	5,655	39,609	42,857
Public relations	140	159	13,411	14	2,297	16,021	39,606
Travel and entertainment	123	1,220	3,736	951	972	7,002	4,453
Bank and finance charges	-0-	-0-	-0-	2,409	21,113	23,522	16,122
Postage	708	1,014	686	352	5,791	8,551	10,142
Office supplies	455	1,243	696	518	798	3,710	5,121
Miscellaneous	-0-	20	-0-	27	-0-	47	32
Equipment and facility rent	744	731	778	731	746	3,730	1,229
Total expenses	<u>\$ 456,474</u>	<u>\$ 9,582,747</u>	<u>\$ 742,824</u>	<u>\$ 315,993</u>	<u>\$ 725,800</u>	<u>\$ 11,823,838</u>	<u>\$ 7,724,256</u>

See accompanying Notes to Financial Statements.

SECOND HELPINGS, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2019

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

See accompanying Notes to Financial Statements.

SECOND HELPINGS, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 2,938,686	\$ 428,136
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	200,815	195,544
Net realized and unrealized gains on investments	(12,525)	(319,059)
Loss on disposal of property and equipment	657	33,921
Contributions to investments	(81,047)	(62,482)
Changes in operating assets and liabilities:		
Accounts receivable	36,563	(71,448)
Grants receivable	(793,845)	(160,897)
Inventories	(113,430)	(11,080)
Prepaid expenses and other assets	(29,557)	(2,920)
Accounts payable	26,601	28,521
Accrued expenses and other liabilities	(22,840)	8,267
Deferred revenue	(20,000)	60,000
Net cash provided by operating activities	<u>2,130,078</u>	<u>126,503</u>
Cash Flows from Investing Activities:		
Proceeds from sale of property and equipment	4,500	29,814
Purchase of property and equipment	(515,548)	(202,228)
Proceeds from sale of investments	447,901	92,558
Purchase of investments	(87,702)	(179,050)
Net cash used in investing activities	<u>(150,849)</u>	<u>(258,906)</u>
Cash Flows from Financing Activities:		
Borrowings on note payable	<u>296,650</u>	<u>-0-</u>
Net increase (decrease) in cash and short-term investments	2,275,879	(132,403)
Cash and Short-Term Investments, Beginning of Year	<u>1,182,295</u>	<u>1,314,698</u>
Cash and Short-Term Investments, End of Year	<u>\$ 3,458,174</u>	<u>\$ 1,182,295</u>

See accompanying Notes to Financial Statements.

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

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 2,991,428 and 2,553,378 for the years ended June 30, 2020 and 2019, respectively. The Organization distributed 1,485,302 and 1,077,959 meals for the years ended June 30, 2020 and 2019, respectively.

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

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, 2020 AND 2019

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 or payment is received from the donor or expenses are incurred for grants under a cost reimbursement basis. Government grants under a cost reimbursement arrangement are considered contributions and not a contract with a customer as there is not a direct reciprocation of benefits to the grantor in exchange for contributions. 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, 2020 and 2019.

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.

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

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 4) in accordance with U.S. GAAP.

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, 2020 and 2019.

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.

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

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, 2020, 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, 2017.

Subsequent Events

Subsequent events have been evaluated through October 7, 2020, which is the date the financial statements were available for issuance.

2. LIQUIDITY AND AVAILABILITY

At June 30, 2020 and 2019, financial assets available for future general expenditures within one year from the Statements of Financial Position comprise the following:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and short-term investments	\$ 3,458,174	\$ 1,182,295
Investments - Legacy Fund	335,234	346,809
Accounts receivable	40,180	76,743
Grants receivable	1,082,942	289,097
Endowment investments	<u>7,726,482</u>	<u>7,981,534</u>
	<u>12,643,012</u>	<u>9,876,478</u>
Less amounts not available to be used for general expenditures within one year:		
Donor restricted funds	(1,729,425)	(480,351)
Donor restricted endowment	(7,726,482)	(7,981,534)
Board Designated investments - Legacy Fund	<u>(335,234)</u>	<u>(346,809)</u>
	<u>(9,791,141)</u>	<u>(8,808,694)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,851,871</u>	<u>\$ 1,067,784</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.

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

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.

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 on the line of credit (Note 9). 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, 2020 and 2019 are due as follows:

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 1,062,942	\$ 244,097
One to five years	<u>20,000</u>	<u>45,000</u>
	<u>\$ 1,082,942</u>	<u>\$ 289,097</u>

For the years ended June 30, 2020 and 2019, the Organization received grants totaling \$3,495,639 and \$748,895, respectively, for all programs.

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

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 on a recurring basis at June 30, 2020 and 2019 included investments aggregating \$8,061,716 and \$8,328,343, respectively.

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

The Organization's accounting policy is to recognize transfers between levels as of the date the event or change in circumstances that caused the transfer. The Organization transferred \$28,140 and \$165,963 of assets measured using Level 1 inputs into assets measured using Level 3 inputs during the years ended June 30, 2020 and 2019, respectively.

The Organization transferred \$310,415 and \$-0- of assets measured using Level 3 inputs into assets measured using Level 1 inputs during the years ended June 30, 2020 and 2019, respectively.

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

5. INVESTMENTS

The Organization's investments at June 30, 2020 and 2019 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, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Endowment investment return:		
Interest and dividend income	\$ 57,082	\$ 40,018
Net realized gains	472,391	209,809
Net unrealized gains	(460,391)	96,058
Administrative expenses	<u>(54,088)</u>	<u>(56,346)</u>
	<u>14,994</u>	<u>289,539</u>
Investment - Legacy Fund return:		
Interest and dividend income	2,480	1,709
Net realized gains	20,527	8,963
Net unrealized gains	(20,002)	4,229
Administrative expenses	<u>(2,351)</u>	<u>(2,370)</u>
	654	12,531
Other interest income	<u>5,908</u>	<u>15,199</u>
	<u>6,562</u>	<u>27,730</u>
	<u>\$ 21,556</u>	<u>\$ 317,269</u>

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 411,785	\$ 49,700
Building and improvements	2,496,393	2,487,852
Furniture and equipment	<u>1,600,349</u>	<u>1,499,811</u>
	4,508,527	4,037,363
Accumulated depreciation	<u>(2,029,023)</u>	<u>(1,867,435)</u>
Property and equipment, net	<u>\$ 2,479,504</u>	<u>\$ 2,169,928</u>

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

7. ENDOWMENT FUND

The Organization's endowment consists of funds 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 Organization's funds designated by the Board of Directors is classified and reported as without donor 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.

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. There were no material deficiencies as of June 30, 2020 and 2019.

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

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

The Organization's spending policy is 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.

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.

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Endowment and Legacy Fund net assets at June 30, 2020 and 2019 include the following:

	Without Donor Restriction <u>Funds</u>	With Donor Restriction <u>Funds</u>	<u>Total</u>
Historic gift value	\$ 272,939	\$ 6,849,000	\$ 7,121,939
Accumulated earnings	<u>32,356</u>	<u>706,015</u>	<u>738,371</u>
Endowment and Legacy Fund net assets, June 30, 2018	<u>305,295</u>	<u>7,555,015</u>	<u>7,860,310</u>
Additions to endowment	28,983	136,980	165,963
Interest and dividends, net of fees	(661)	(16,328)	(16,989)
Realized gains	8,963	209,809	218,772
Unrealized gains (losses)	<u>4,229</u>	<u>96,058</u>	<u>100,287</u>
2019 change in endowment and Legacy Fund net assets	<u>41,514</u>	<u>426,519</u>	<u>468,033</u>
Historic gift value	301,922	6,849,000	7,150,922
Accumulated earnings	<u>44,887</u>	<u>1,132,534</u>	<u>1,177,421</u>
Endowment and Legacy Fund net assets, June 30, 2019	<u>346,809</u>	<u>7,981,534</u>	<u>8,328,343</u>
Additions to endowment	-0-	28,140	28,140
Withdrawals from endowment	(12,229)	(298,186)	(310,415)
Interest and dividends, net of fees	129	2,994	3,123
Realized gains	20,527	472,391	492,918
Unrealized gains (losses)	<u>(20,002)</u>	<u>(460,391)</u>	<u>(480,393)</u>
2020 change in endowment and Legacy Fund net assets	<u>(11,575)</u>	<u>(255,052)</u>	<u>(266,627)</u>
Historic gift value	301,922	6,877,140	7,179,062
Accumulated earnings	<u>33,312</u>	<u>849,342</u>	<u>882,654</u>
Endowment and Legacy Fund net assets, June 30, 2020	<u>\$ 335,234</u>	<u>\$ 7,726,482</u>	<u>\$ 8,061,716</u>

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

8. NOTE PAYABLE

Effective May 5, 2020, the Organization borrowed \$296,650 from a bank under the U.S. Small Business Administration's ("SBA") Paycheck Protection Program ("PPP"). Under the terms of the program, a portion or all of the loan may be forgiven if the Organization maintains certain levels of employment and spends the funds on qualified expenditures during a specified period following the funding of the loan. The loan accrues interest at 1%, and no principal or interest payments are required for the first six months. To the extent the loan amount is not forgiven under the PPP, the remaining balance, if any, is to be repaid in equal monthly installments of principal and interest beginning December 5, 2020 and continuing through the maturity date, which is two years from the date of the note. The Organization believes it has met the requirements for debt forgiveness and is awaiting final SBA approval. This note may be prepaid in part or in whole at any time without penalty.

Annual maturities of the note payable as of June 30, 2020, assuming there is no forgiveness of the loan, are as follows:

Year Ending <u>June 30,</u>	
2021	\$ 113,923
2022	<u>182,727</u>
	<u>\$ 296,650</u>

9. LINE OF CREDIT

The Organization has \$640,000 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% (3.55% at June 30, 2020). 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, 2020 and 2019.

10. 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 \$29,607 and \$8,229 for the years ended June 30, 2020 and 2019, respectively.

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
COVID-19 Pandemic Response	\$ 1,344,425	\$ -0-
Hunger Relief	325,000	224,000
Job Training	60,000	73,000
Philanthropic capacity	-0-	119,892
Infrastructure investments	<u>-0-</u>	<u>63,459</u>
	<u>1,729,425</u>	<u>480,351</u>
Endowment:		
Held in perpetuity	6,877,140	6,849,000
Endowment earnings	<u>849,342</u>	<u>1,132,534</u>
	<u>7,726,482</u>	<u>7,981,534</u>
Total net assets with donor restrictions	<u>\$ 9,455,907</u>	<u>\$ 8,461,885</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 \$1,428,472 and \$301,908 were released from donor restrictions during the years ended June 30, 2020 and 2019, respectively.

12. 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, 2020 AND 2019

Grants Receivable and Grant Revenue

At June 30, 2020 and for the year then ended, 94% of grants receivable and 74% of grant revenues were from two (2) grantors. Grant revenues represent 27% of total public support and revenues.

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.